

# Weekend FINANCIAL TIMES

Weekend FT

If it's witty, it  
must be American

SECTION II

World Business Newspaper <http://www.FT.com>

## Japanese to get us-style shopping in \$3bn venture

Japanese shoppers will get a taste of US-style leisure shopping through a \$3bn joint venture between two Californian property specialists and an alliance of Japanese banks, retailers and industrial groups. Four centres in the Tokyo and Osaka areas will have a blend of Japanese and US stores, plus cinemas, restaurants, fitness clubs, indoor "rock-climbing" and skating rinks. Page 24

**Russian loan delayed:** An International Monetary Fund mission left Moscow without recommending payment of the monthly tranche of the fund's \$10.2bn loan to Russia - a decision which, in effect, means a delay in payment. Officials said the IMF was concerned about Moscow's continued difficulties in collecting enough revenue to finance its budget. Page 2

**Boxer bows out of Marines:** Riddick Bowe, the former world heavyweight boxing champion, has left the US Marine Corps Reserves less than two weeks after joining. "He's been released at his own request," said Master Sgt Chuck Denar at the USMC recruit depot.

**Hubble shuttle comes home:** With restoration of the Hubble space telescope completed, the Discovery space shuttle returned to earth in a rare night landing at Cape Canaveral, Florida.

**Kmart, the US retailer, and El Puerto de Liverpool, its Mexican partner, have ended a three-year alliance by selling their joint interest in Kmart Mexico to Comercial Mexicana, Mexico's second-largest retail chain, for \$148.5m. Page 6**

**Award to slain journalist:** Veronica Guerin, shot dead last June as she investigated some of Ireland's most ruthless gangsters, was named journalist of the year at the UK What The Papers Say awards.

**Bonn acts to aid eastern areas:** The German government announced two initiatives to support eastern Germany's struggling economy in a move to help defuse unrest among east German members of Chancellor Helmut Kohl's Christian Democratic Union. Page 2

**Push for Greek shareholders:** Greek "I-one" is next month will include a leadet explaining how the stock market works and encouraging individuals to become investors. The campaign by Athens Stock Exchange comes after a surge in share prices and new issues. Page 2

**Aluminium tainted:** Most of Russia's aluminium industry is controlled by criminal gangs, interior minister Anatoly Kulikov said, adding that 39 investigations had been launched last year at the giant Norilsk Nickel complex and 14 more at the Severonickel plant in the northern port city of Murmansk.

**London shares lose momentum:** The FTSE 100 index was unable to maintain the momentum seen earlier in the week. The Footsie initially virtually ignored the 92-point fall in the Dow Jones Industrial Average the day before. After a luncheon fall it surged but ended down from the record high earlier in the week. Page 21; World stocks, Page 19

**Michelin, Europe's biggest tyre maker, plans to cut 1,445 jobs from its French tyre and distribution operations. Page 6**

**Due to technical problems with a supplier, US share prices on Page 18 are earlier than normal.**

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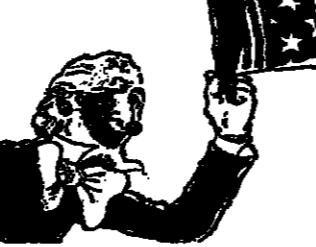
**Companies in this issue**

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The president  
gardener



In the brushstrokes  
of Braque



WEEKEND FEBRUARY 22/FEBRUARY 23 1997

## Club Med hopes for Disney magic

Philippe Bourguignon to head shake-up after \$130m loss for holiday firm

By Andrew Jack in Paris

Club Méditerranée, operator of holiday villages around the world, has hired Mr Philippe Bourguignon, chairman of Euro Disney, to mastermind a wide-ranging restructuring in the wake of a far heavier than expected FF 747.4m (\$130.35m) loss for 1995-96, revealed yesterday.

Mr Bourguignon is to take over as chief executive of Club Med, one of France's best-known companies, on March 1. The move from Euro Disney follows his success overseeing the financial restructuring of the theme park just outside Paris in 1994 and its return to profitability.

The appointment marks the end of family control at Club Med, originator of the "sun, sea and sex" concept of holiday villages in 1950, which had been chaired since 1983 by Mr Serge Trigano, son of the founder. His father owns just 0.8 per cent of the capital and has no shares.

Mr Trigano, who will be appointed head of a newly created supervisory board to oversee strategy and international relations, unveiled details of FF 720m in provisions taken to help return the group to profitability over the next few months.

"It would not be right to hide behind the (excuse) of the poor economic environment," said Mr Trigano. "I was perhaps not quick enough in applying the measures that needed to be taken."

Mr Trigano had launched a series of job reduction and other cost-cutting measures in the last three years, and attempted to refocus the group on its principal activity and sell peripheral businesses which had proved unsuccessful.

However, he had come under increasing criticism and pressure from shareholders, nota-

bly after taking the markets by surprise last October when he predicted disappointing results, only weeks after appearing very bullish.

The number of Club Med clients rose by 30,000 to 1.4m in 1995-96, but its turnover fell by FF 50m to FF 3.6bn during the period. It made an operating profit - taking into account some provisions - of FF 30m, compared with a profit of FF 37.3m in 1994-95.

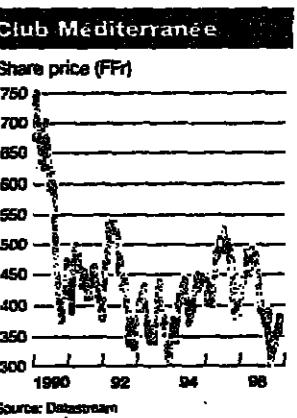
Mr Trigano said the group would rapidly close seven of its holiday villages which were structurally in deficit - including six in Europe - and spend

FF 153m renovating about 15 more. Other Club Med villages would be rebranded Club Aquarius, its lower-priced alternative which has seen considerable recent growth.

The denied that the Club Med concept of holiday villages was outmoded, and said: "My objective is to refocus on what we do best: the management and operation of holiday villages. That is where we have a unique professionalism and savoir faire."

Club Med gets Euro Disney touch, Page 6

Lex, Page 24



## Italy's Emu tax route gets approval

By Lionel Barber in Brussels

Italy's controversial one-off tax for Europe won the blessing yesterday of Eurostat, the European Union's statistical watchdog, in spite of widespread criticism that it is a gimmick designed to help the country meet the criteria for joining European economic and monetary union.

The so-called Eurotax would be levied only once, as a way of reducing Italy's budget deficit this year to levels required for Emu entry. Italy has also promised to refund part of it in 1998, sparking criticism that it would be only a short-term loan from the people and would not bring about a lasting improvement to Italy's finances.

However, Eurostat concluded that the Eurotax would not be a financial advance, which would not have been allowed, but a new tax which would allow Italy to trim its deficit in 1997 by around 0.5 per cent of gross domestic product.

The agency ignored concern about "creative accounting".

inspired by earlier Italian government hints that it would offer citizens a partial refund on the Eurotax once Emu got off the ground in 1999.

Mr Alberto De Michelis, a senior Eurostat official, said nothing in the government's text signalled a legally binding commitment to reimburse citizens: "It is only a political commitment."

Proceeds from the Eurotax will strengthen the government's hopes of bringing its budget deficit within sight of the Maastricht treaty deficit target of 3 per cent of Gdp in 1997, the decisive year for Emu performance.

The Italian Treasury welcomed Eurostat's decision.

There was no comment from the German finance ministry, where officials have expressed doubts about Italy's fitness to qualify for the first round of Emu.

Mr De Michelis said Eurostat's job was to create a level playing field in the application

Continued on Page 24

Boost for Spain's Emu bid, Page 2



Nato may grow before Russian pact

By Chrystia Freeland in Moscow

Mrs Madeline Albright, the US secretary of state, made hesitant progress in talks with German finance ministry, where officials have expressed doubts about Italy's fitness to qualify for the first round of Emu.

Mr De Michelis said Eurostat's job was to create a level playing field in the application

Continued on Page 24

very serious discussions," Mrs Albright said. "It is on a fast track."

The proposed charter would define a special relationship between Nato and Russia and could give Moscow some input into the alliance's activities. However, its content, form and legal status are still in dispute.

Mrs Albright said "complex questions" needed to be resolved; it was far from certain that an agreement between Nato and Russia would be achieved before the Nato summit in Madrid in July, when the alliance plans to invite some eastern European states to join.

Mr Yevgeny Primakov, the Russian foreign minister, said the talks had shown "we are not going to have any artificial delays or roadblocks in

coming to terms with this new document". He also stressed that the "serious issues" at stake would require careful negotiation.

While reiterating his opposition to Nato expansion, Mr Primakov said one measure that would "minimise" the harm to Russia would be a

Continued on Page 24

Nato expansion, Page 24

## UBS finds heirs to a third of the \$7m in wartime accounts

By William Hall in Zurich and Norma Cohen in London

Union Bank of Switzerland has tracked down the owners for about a third of the SFr1.6m (\$6.8m) in dormant second world war era accounts, it revealed yesterday.

But Mr Mathis Cabiallavetta, chief executive, held out some hope of finding any more.

"We managed to trace the rightful heirs to assets in dormant accounts amounting to approximately SFr1.5m, thanks to the opening up of Eastern Europe and the fact that this gave us access to certain documents for the first time," Mr Cabiallavetta said

yesterday. "None of those traced were heirs of Holocaust victims, however."

He went on to attack "malicious accusations" that the bank had intentionally shredded secret files which could have shed light on its war-time dealings with Nazi Germany.

He said the recent case where the bank had disobeyed a Swiss government order and shredded files had been a "very serious and deeply regrettable error". It would be rigorous in ensuring no more documents were destroyed.

However, Mr Cabiallavetta's efforts to put the incident behind him were complicated by the revelation yesterday that in 1994 UBS had destroyed documents belonging to interwar, the Swiss-based holding company for certain assets of German chemicals concern IG Farben, producer of lethal gas for Nazi death camps.

UBS bought the company in 1968 after confirmation that it had been in Swiss hands during the war and could not be classified as "enemy assets".

It had reviewed the company's documents and in 1994 destroyed those of no historical relevance.

UBS, the first of the big three Swiss banks to report their 1996 results, said

Continued on Page 24

STOCK MARKET INDICES

	FTSE 100	US LUNCHTIME RATES	STERLING	DOLLAR
Yield	4,356.8	(-19.3)	Federal Funds: 5.5%	New York luncheon: DM 1.0885
FTSE Eurotrack 100	2,142.72	(-6.33)	3-m Times Bld Yld: 5.017%	DM 1.0885
FTSE All-Share	2,156.45	(-12.96)	Long Bond: 9.91%	Fr 5.703
Nikkei	10,034.54	(-17.17)	Yield: 8.532%	Y 1.472
New York: Eurodol	5,914.88	(-12.70)	9.6182 (1.6114)	Y 122.15
S & P Composite	600.05	(-1.98)	2.7232 (2.7228	

## NEWS: INTERNATIONAL

Mad cow inquiry threatens ultimate sanction against Commission 'incompetence'

# Euro-MPs prime their nuclear weapon

By Neil Buckley  
in Strasbourg

Who won? Was it the European Parliament, which this week gave European commissioners nine months to revamp their food and health policies - to prevent any future 'mad cow' style crises - or face dismissal?

Or was it the commissioners, who granted minimal concessions to parliament but successfully warded off a censure motion on Thursday to have all 20 commissioners dismissed immediately?

Both sides can look on the outcome with some satisfaction. But whether the week's shenanigans did much for EU democracy, or indeed, the protection of EU consumers, is another question.

The "conditional" censure that parliament imposed on the Commission marks another important step towards political maturity for the European assembly.

Parliament successfully harnessed powers given to it by the 1991 Maastricht Treaty to probe maladministration in other institutions.

Its six-month inquiry not only produced a hard-hitting report, but forced the Commission to make changes which, Brussels insiders admit, it would never otherwise have been made.

It also found a neat way of using its only permitted sanction against the Commission, the so-called "nuclear weapon" of a censure motion to dismiss all 20 commissioners.

Instead of pressing the button, it summoned 422 votes - two-thirds of the entire assembly - to back a threat to unleash its missile in November if the Commiss-



Commission president Jacques Santer, right, and farm commissioner Franz Fischler speaking after MEPs decided against dismissing them and the 18 other Commission members in a protest over the handling of the mad cow crisis

ion did not meet its demands.

"A successful censure now would simply lead to an institutional crisis which would last for months and do nothing to strengthen public health or consumer protection," said Mrs Pauline Green, leader of the Socialist group, the biggest in parliament. She reflected the widespread view which led to Thursday's immediate censure of the Commission being defeated.

But the delayed censure threat delivered a rather more compliant Mr Jacques Santer before the Strasbourg chamber this week than the Commission president who addressed the beef inquiry last month.

"We were astonished by

Mr Santer's speech," said Mr Paul Lannoye, a Belgian Green. "It went far beyond what we hoped for."

The Commission president promised:

● To transfer responsibility for human health from Mr Franz Fischler, agriculture commissioner, to Ms Emma Bonino, consumer policy commissioner.

● To revamp food and health policies, giving Ms Bonino extra resources.

● To press in the inter-governmental conference on EU reform to give parliament an enhanced role in agricultural and veterinary matters, and for new EU-wide powers to strengthen health protection.

● "Revolutionary" reform of the Common Agricultural

Policy to promote natural farming methods and environmental protection.

But if this week demonstrated that the parliament does have influence, it also showed it still has few real powers. Or, as one MEP put it, the assembly is "like Popeye without the spinach".

No commissioners or officials - even those named in parliament's report as having made errors - seem set to lose their jobs, or even face transfer, over the beef crisis.

If the Commission can be accused of gross mismanagement in perhaps the biggest political and human crisis it has faced, and yet no heads roll, will parliament ever be able to get officials sacked in future inquiries?

UK unequivocally as the main offender.

Yet the UK could ignore the Strasbourg motions, and relish the spectacle of the Commission being roasted over a problem it did not create. London even managed further to antagonise other EU states by dismissing MEPs' findings as "tosh."

Mr André Laignel, a French Socialist inquiry member, attempted to get round lack of sanctions against Britain by proposing a different conditional censure of the Commission. His condition was that Brussels must reclaim from the UK the Ecu1.5bn (\$1.5bn) spent from EU funds on the beef crisis last year.

"This is the only effective solution since the inquiry found the UK failed to observe EU rules, and carried most responsibility for the crisis," Mr Laignel said.

But political infighting, including opposition from British Labour members of parliament's Socialist grouping, led to removal of the censure threat from his amendment. The demand to reclaim the money remains in the report, but the Commission made clear this week it would ignore it.

It is likely to ignore, too, the demand to take Mr Douglas Hogg, UK agriculture minister, to the European Court over his refusal to attend parliament's inquiry - a snub which still has MEPs' funding.

EU ministers must agree and, so far, they don't.

But the biggest weakness exposed was parliament's lack of sanctions against member states.

Despite the detailed rebuttals of some points by the UK government, parliament's report identified the

## INTERNATIONAL NEWS DIGEST

# Delay to Crédit Lyonnais plan

The French government yesterday postponed the submission of its restructuring plan for Crédit Lyonnais, the troubled state-owned bank, until the end of May. Mr Jean Arthuis, finance and economics minister, said final proposals due to be handed to European Commission competition authorities in Brussels yesterday would not now be ready until the end of March.

Government officials had aimed to have the plan completed this month, but Mr Arthuis said as a result of contact with Mr Karel Van Miert, the competition commissioner, the government would introduce "some corrections and additional information" to the plan, designed to provide final aid ahead of privatisation. He said the sell-off would take place at the end of 1998 or in 1999.

An estimate by the European Commission itself placed the total potential cost of new state aid at up to FF100bn (\$8.3bn). That includes a recapitalisation to improve its solvency ratio of FF85bn to FF10bn. It also includes FF15bn-FF20bn to cover the eventual estimated losses realised from assets formerly owned by the bank and now being sold off.

Andrew Jack, Paris

## Boost for Spain's Emu bid

Spain's centre-right Popular party government yesterday stepped up its bid to qualify for monetary union with a slate of deregulatory measures that aimed to spur economic activity through lowered prices and job creation.

Economy minister Mr Rodrigo Rato said the "broad and ambitious liberalisation package" constituted the "best guarantee", together with budgetary discipline, for Spain's inclusion among the first wave of EU nations setting up the single currency in 1999. New initiatives included a citizen's charter to cut bureaucratic red tape, increased prerogatives and resources for the competition tribunal and creation of a new body to draw up plans for corporate governance in big business. Tom Burns, Madrid

## Korea groups in Oman deal

A consortium of five big Korean companies yesterday bought into the \$2bn Oman liquefied natural gas project, which is due on stream in early 2000. Korea LNG, which includes Korea Gas Corporation, Samsung, Hyundai, Daewoo and Yukong, bought a 5 per cent stake in the project from Shell, the Anglo-Dutch oil group, for an undisclosed amount. Shell, which discovered the gas reserves in central Oman, has been left with a 30 per cent share.

The government of Oman has a 50 per cent stake. It is the first time Korean industrial companies have bought into an LNG project at such an early stage. Robert Corrigan

## Japan's recovery continues

Further evidence of a mild Japanese economic recovery emerged yesterday, in the form of a positive showing by a basket of economic indicators for the fourth month in a row. The government's Economic Planning Agency said its leading diffusion index, pointing to conditions several months ahead, stood at 70 per cent in December, the fourth month at which it had stayed above the 50 per cent line between expansion and contraction. This nevertheless marked a slight worsening in conditions from November's 80 per cent. William Dawkins, Tokyo

## Israel settlements warning

France and Jordan have warned Israel against construction of a Jewish settlement in Har Homa, east Jerusalem, joining criticism from the US and UK to plans by Mr Benjamin Netanyahu, Israeli prime minister, to expand settlements in the east of the city. King Hussein (left), who along with Washington helped forge the Israeli truce with withdrawal from the West Bank city of Hebron last month, said any construction projects in Jerusalem could pre-empt peace.

Late last year, Ms Janet Reno, the attorney general, rejected pressure from Republicans for the appointment of a special prosecutor. In addition to inquiries by both House and Senate committees, the Justice Department continues to investigate the allegations through normal channels.

Judy Dempsey, Jerusalem

## Orders for Boeing, Ilyushin

Russian airline Transaero yesterday said US aircraft-maker Boeing and Russia's Ilyushin had jointly won a tender to supply new aircraft, in a deal which should help Russia's ailing domestic aerospace industry. Transaero will buy a yet undefined number of Boeing 737, Boeing 767, and Ilyushin 96MT aircraft. The order general director Mr Alexander Pleshakov. Ilyushin has granted \$1.1bn in credits to Ilyushin to finance purchases of US-made equipment for construction of the new II 96MT aircraft. The EBRD supplied an additional \$450m.

Charles Clover, Moscow

## Duma seeks investment curb

Russia's Communist-dominated state Duma yesterday gave preliminary approval to two laws imposing strict but conflicting restrictions on foreign investment. A government-sponsored draft passed 271-3, forbidding foreign investment in a narrow range of sectors and allowing for limits in others, such as precious metals and stones and some telecommunications. But the Duma also approved by 261-10 amendments backed by a hardline legislator which extended the ban on investment to telecommunications and electric utilities. Limits could be imposed on investment in financial services, printing media and advertising. The measures are unlikely to be passed in their present form. AP-DJ, Moscow

## Ice-cream cabinet loan frozen

Unilever, the food group, has been told by the European Commission to stop providing ice-cream freezer cabinets on free loan to retailers in Ireland because the practice infringes EU competition rules. The decision is a boost to efforts by rival Mars to weaken Unilever's leading position in Europe's 25bn (\$3bn) a year ice-cream market.

Brunswick says that, in the Irish market, dominated by small shops, provision of freezer cabinets in practice stops many recipients from selling ice-cream other than Unilever's.

Nell Buckley, Brussels

## Danish Conservative quits

Mr Hans Engel, chairman of Denmark's Conservative party and his party's candidate to become prime minister after the next election, yesterday announced his resignation after a police test found he was driving under the influence of alcohol when involved in a road accident on Thursday morning.

Hilary Barnes, Copenhagen

■ Portugal's president Jorge Sampaio, the only foreign head of state to be in China during funeral ceremonies for Deng Xiaoping, arrives in Beijing tomorrow for talks with the Chinese leadership on the return of Macao to China, rule in December 1999. Peter Wise, Madrid

# Junk mail bid to boost Greek privatisation

By Kerin Hope in Athens

Greek phone bills next month will include a leaflet explaining how the stock market works and encouraging individuals to become investors.

The campaign by the state-owned Athens Stock Exchange to boost the number of small shareholders comes after a surge in share prices and several new issues by public sector corporations selling part of their equity to the public.

"It's the right moment to bring new investors into the market," says Prof Manolis Xanthakis, the exchange chairman. "The government is keen to create a class of small shareholders and there are several large issues planned this year by utilities and the state banks. Of course, our advertising will set out the risks of entering the market."

OTE, Greece's state-controlled telecoms company, is accustomed to footing the postage bill for public service advertising to its 4.9m subscribers.

Previous mailshots have appealed to households to consume more olive oil and have given advice on how to avoid injury when an earthquake strikes.

The telephone company should welcome the stock exchange campaign, Prof Xanthakis says, because it is planning to float a second equity tranche in the summer and may launch a rights issue as well.

When OTE became the

## Clash with investigators over campaign fundraising documents

# Clinton aides defy Congress

By Gerard Baker in Washington

Two central figures in the controversy over fundraising by the US Democratic party yesterday refused to hand over documents to a congressional committee investigating the alleged improprieties.

Mr Webster Hubbell, a friend of President Bill Clinton and Mr John Huang, a leading Democratic party fundraiser, both claimed privileges under the fifth amendment protecting them from self-incrimination.

They refused to comply with a subpoena from the House of Representatives' government reform and oversight committee to hand over documents of possible

use to the committee's investigation.

The decision will intensify the political battle over the fundraising row, in which Democrats are alleged to have received money from a variety of questionable sources. It may also suggest that the two men are seeking congressional immunity in return for their co-operation.

Mr Hubbell, a former assistant attorney-general in the Clinton administration, was convicted of tax evasion and mail fraud two years ago.

The House committee had demanded he produce documents about payments he received from a wealthy supporter of the president while Mr Hubbell was being investigated by congressional committees.

Meanwhile, Sen Daniel Patrick Moynihan yesterday became the first Senate Democrat to call for the appointment of an independent counsel by the Justice Department to investigate campaign fundraising abuses. Sen Moynihan said an independent investigator was needed to counter the appearance that the authorities were doing nothing about the proliferating allegations.

Late last year, Ms Janet Reno, the attorney general, rejected pressure from Republicans for the appointment of a special prosecutor.

As a result, the decision on whether to recommend the completion of the monthly review, and the release of the final monthly

tranche of the advance, had been delayed until the remaining questions for 1997 as a whole could be agreed.

The mission is expected to return to Moscow soon, perhaps within a week, although a final decision has not been taken. As well as evaluating Russia's January economic performance, the IMF is negotiating an economic programme for 1997 which remain to be resolved in both the macro-economic and structural areas.

The Fund's team would

consult the IMF management in Washington and then return to Moscow in the near future for further discussions with the Russian government.

The money itself is not that important to us, we can cover any shortfall with a eurobond issue," Mr Livshits said. "The important thing is our respect for the Fund. We know what weight they have in the world economy."

In Washington the IMF said a number of issues were unresolved. "Discussions on the 1997 programme were very productive. There was a substantial agreement on many aspects. But there are a few technical issues which remain to be resolved in both the macro-economic and structural areas."

The Fund's team would

prompt payment of the IMF loan.

However, he said that as a litmus test the IMF remained crucial.

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Delay to C...  
Lyonnais pl...

## Shanghai gang looking to call the shots

By James Harding  
in Shanghai

Miss Wang, who serves behind the cosmetics counter at Shanghai's No 1 Department Store, has had a typically busy couple of days. "People need to buy moisturiser. They couldn't care much if Deng Xiaoping has passed away."

It is an eloquent expression of how local residents have embraced the consumerism fostered by Deng's economic reforms, but how little they have mourned the man. On the Nanjing road, China's busiest retail strip and a garish example of how Deng's "market socialism" transformed a monochrome landscape of state-run stores into a consumer metropolis, people were cheerfully opening for business. "It may be an important day for history," said a shoe shop owner, "but it is a normal business day for me."

The contrast with the mood and reaction of people when the other titans of communist China, Mao Zedong and Zhou Enlai, died could not be starker.

When Zhou passed away in January 1976, Beijing was silenced by grief. In the months that passed, citizens were first dismayed by the inadequate ceremony that marked his death and then angered by the politicking of his successors. By the time of the Chinese festival of homage to deceased ancestors in April, thousands of people gathered in Tiananmen Square with wreaths, banners, poems and placards to pay their respects to Zhou.

Hysteria gripped China when Mao died. More than 300,000 people filed past his coffin in the Great Hall of the People, and factories across the country closed to hold their own funeral ceremonies - a mass outpouring of emotion, in some cases genuine in others orchestrated by the party.

There will be no lying in state for Deng, who abhorred the communist predilection for personality cults, and the equanimity with which Shanghai has met his death is in part a tribute to a ruler who shunned China's corrosive, imperial pomp.

"Deng was an old statesman. He has died. When Zhou Enlai and Mao Zedong passed away, you felt like you had lost your mother and father," remembered Mr Hu, a retired electrician in People's Square yesterday. Around him, others were enjoying perfect spring weather.

But there are darker reasons for Shanghai's composure. "Why should he be sad? He might have been good for the economy, but he butchered the students in Beijing," said one young graduate, echoing the widely held view that Deng's reputation was irretrievably tarnished by the bloody decision to turn the military on student protesters in Tiananmen Square in 1989.

There are also those still smarting from a perceived snub to Shanghai. "Why did he choose to develop Shenzhen first and make us wait until 1990? If he had started in Shanghai, the real financial centre, we would be 10 times richer," complained one stockbroker.

Now Deng has gone, locals are hoping the next generation of leaders - President Jiang Zemin and Vice-Premier Zhu Rongji and Wu Bangguo, all previously mayors of Shanghai - will emerge from the old man's shadow. As the confident broker put it: "Comrade Deng has died. Now the Shanghai gang will really start calling the shots."

Editorial Comment, Page 8.



Kim Hyun-chul, President Kim Young-sam's second son, arrives at the Seoul prosecution office for questioning

## NEWS: INTERNATIONAL

Shadowy Kim enters Hanbo loans scandal arena all guns firing

# Spotlight hits president's son

The appearance yesterday of Mr Kim Hyun-chul, son of South Korea's president, before prosecutors investigating the Hanbo loan scandal, has thrown the spotlight on one of the nation's most discussed, but shadowy, figures.

Officially, Mr Kim has been doing nothing more than studying for a doctorate in business administration at Korea University ever since his father became president in early 1993. He also recently became head of the local chapter of the UN Youth Association.

But the 37-year-old second son of President Kim Young-sam, has been subject of much gossip among politicians and businessmen about his political influence and financial dealings. His reputation as his father's closest adviser has earned him the nickname of "crown prince" or the "vice president" in a nation that does not have one.

His influence extends from selecting key personnel,

including the defence minister and the head of the spy agency, to shaping business and finance policy. Ms Shin Nak-kyun, an opposition MP, told parliament recently.

The uncertainty is whether the stories told about Mr Kim are true.

"Hardly anyone says a good word about him, but whether the allegations against him are true is another matter," said a western diplomat. "There is lots and lots of smoke, but we still can't see the fire," said a senior banker.

The Korean press has normally shied away from reporting on Mr Kim because of his litigious nature. In 1985, he successfully sued for libel one local newspaper after it alleged he received illegal contributions for his father's presidential campaign in 1992. Mr Kim threatened libel suits against the Los Angeles Times and Le Monde when they published similar allegations.

But the Korean media has declared open season on Mr Kim with the bribes-for-loan scandal involving Hanbo Steel, which collapsed recently. Opposition politicians say Hanbo made big contributions to the president's 1992 campaign. In return, they allege, his son pressed state-run Korea Development Bank to give Hanbo loans.

Questions have also been raised whether the government blocked proposed entry of the giant Hyundai group into the steel business to protect Hanbo from competition. The allegations have caused the president's popularity to drop markedly.

While the ruling party has

dismissed the allegations as a "collection of groundless rumours," Mr Kim has issued libel suits against six opposition MPs. His appearance yesterday before prosecutors was to answer questions in connection with the libel suit. Some believe Mr Kim has a strong case. It

will be hard to prove a direct link between any alleged campaign contributions and the bank loans. There is no evidence he took bribes for loans, unlike others who have been arrested in the case," said the diplomat.

The only evidence linking

Mr Kim to Hanbo is the recent discovery in a company warehouse of 10,000 copies of a book he has written. The opposition claimed this proved that Hanbo was indirectly subsidising Mr Kim by purchasing his book.

Mr Jay Yoo, an opposition MP, said Mr Kim's alleged involvement with Hanbo is more a "moral and ethical" issue than a legal one. "If he has engaged in influence peddling, it is wrong."

The latest libel suit has provoked questions about how he has financed his legal battles. Mr Kim "has no official post and no particular profession and no source of income," said Mr Park Moo-jong, of the Korea Times.

Even if he wins his libel suit, Mr Kim appears to have lost the battle in the court of public opinion. Rightly or wrongly "his son is the Achilles' heel for President Kim," said one magazine put it.

John Burton

## Oman breaks new ground with \$200m eurobond

By Rous Khalaf in London

Oman is to become the first Arab Gulf state to tap international debt markets with a \$200m five-year eurobond issue now being marketed by J.P. Morgan, according to city bankers.

The fixed rate issue is aimed at raising the country's profile among international investors at a time of huge investment needs. It will set a benchmark for local

private sector companies to raise funds on international capital markets.

With the energy sector accounting for more than 40 per cent of gross domestic product and 80 per cent of government revenues, the small oil producer has been committed to reducing its dependence on oil by promoting private sector development.

Multi-billion dollar export-oriented investment projects are

planned, including the exploitation of natural gas reserves through the construction of a huge liquefied natural gas export facility, expected to be running by the year 2000. Petrochemical, aluminium and fertiliser schemes are also under way.

At current rates of production of about 880,000 barrels per day, Oman's oil reserves are estimated to last for another 16 years. Its ambitious diversification plans,

dubbed Vision 2020, aim to reduce the oil sector's contribution to GDP to 10 per cent, while gas will account for another 9 per cent.

Oman has enjoyed an average growth rate of 6 per cent between 1991 and 1996, according to research by J.P. Morgan. But between 1991 and 1995 it ran fiscal deficits of about 9 per cent of GDP a year. Meanwhile, balance of payments deficits in the past three years have been financed by draw-

ing down on foreign assets. To

finance its investment needs,

economists say Oman will need to increase savings, domestically and from abroad.

According to city bankers the eurobond issue should carry a tight spread of between 65 and 75 basis points over US Treasuries. It will mark the first rated sovereign issue in the Arab world. Both Moody's and Standard & Poor's have assigned Oman an investment grade rating.

Oman imposes a ceiling on government borrowing and the funds from the eurobond issue are expected to be used to retire more expensive debt. At the end of 1996 public debt stood at OR375m (\$975m) and external debt at about OR1bn, nearly reaching the ceiling of OR1.5bn, or 26 per cent of GDP. Debt payment last year was a manageable 11 per cent of exports.

## Zeroual ally forms party ahead of poll

Move highlights break-up of Algeria's former ruling party

By Rous Khalaf

An ally of Algerian President Liamine Zeroual yesterday announced the formation of a political party ahead of legislative elections in May or June.

Mr Abdelkader Bensalah, who heads the government-appointed National Transitional Council (CNT), said his new party, the National Democratic Rally, would draw support from union, veteran, peasant and women's associations. These organisations supported Mr Zeroual in 1995 presidential elections.

Mr Bensalah stepped in to head the party after the murder last month of Mr Abdelhak Benhamouda, leader of Algeria's main union. Mr Benhamouda, also a Zeroual ally, had made public his plans to start a new party.

The emergence of a "presidential" wing is a clear sign of the disintegration of the National Liberation Front (FLN), the former ruling party which went into opposition in 1992, when elections of the Islamic Salvation Front (FIS) were about to win.

The National Democratic Rally, by drawing on pro-Zeroual associations, aims to strip the FLN of much of its support.

The FLN is already split between the pro-government leadership and the more respected anti-government reformist wing.

The new party is also designed as a counter-weight to Hamas, the legal Islamist party which the government assumes will attract many former FIS supporters. The FIS, banned since 1992, is excluded from the upcoming elections.

Hamas, considered a moderate Islamist party, has maintained an often cozy relationship with the army-backed government and is expected to emerge as a leading contender in the elections. Hamas' candidate won 25 per cent of the vote in the 1995 presidential elections, on the strength of FIS support.

Hamas and Nahda, the other legal Islamist party, have been given two months to conform to Algeria's new laws, which aim to ban the use of religion in politics. The parties will have to strip any mention of religion from their titles and political programmes.

After November's constitutional amendments diluted the powers of the next parliament, the CNT last week adopted a more restrictive law governing political parties and backed a voting system based on proportional representation.

The measures are aimed at preventing a repeat of the first round of legislative elections in 1991 which saw the FIS poised to control the national assembly under the majority voting system. The army's cancellation of the second round of polling plunged the country into a cycle of violence which has claimed more than 50,000 lives.

As the elections approach, the government has stepped up its campaign to root out Islamic militants. Criticised by Algerians for failing to prevent the recent wave of massacres and blasts blamed on FIS splinter groups, the army offensive has already led to 200 militants being killed this month, according to press reports.

## Fillip for HK pensioners

By John Riddings  
in Hong Kong

Hong Kong legislators yesterday gave a new lease of life to the proposed compulsory pension scheme, voting to approve a further HK\$25m (US\$3m) in funding for the agency drawing up the scheme.

The vote had become a test of political backing for the so-called Mandatory Provident Fund (MPF). The government has pushed the scheme, to provide for the

territory's ageing population and to stimulate its fund management sector.

According to official estimates, the MPF will generate an additional HK\$200m annually for Hong Kong's pensions industry. Staff will contribute 5 per cent of their salaries, a sum matched by their employer, while assets will be managed by the private sector.

Yesterday's funding approval provides for another 13 months of operation for the MPF office. Ms

Pamela Tan, MPF director, said the aim was to submit legislation as early as April to allow legislators time to scrutinise proposals.

The vote maintains momentum in the MPF, but the scheme still faces a race against time. With the existing legislature set to be replaced by a Beijing-backed body when the territory returns to Chinese sovereignty on July 1, failure to reach consensus on the bills before the handover could lead to hiatus and delay.

## WEEKEND FT how to SP

Why are the impossibly haughty sales assistants in Manhattan's temple of chic finally showing signs of warmth? Where can you have your portrait painted without losing face (and for under £400)? Why should you take your time when choosing a wristwatch? And which lesser-known breeds of South African game park offer the true bush experience? Find out on Saturday, March 1, in the Financial Times' how to spend it colour magazine.

## NEWS: UK

# Ministers postpone legislation on euro

By Lionel Barber in Brussels and John Kampfner

The UK government, fearful of antagonising Conservative Eurosceptics, has abandoned efforts to pass legislation on the legal status of the euro until after the general election.

The move will disappoint the City of London, which sees the legislation as crucial for ending uncertainty about trading and issuing contracts denominated in the single European currency.

Government officials acknowledged last night that the decision had been taken by cabinet and

party business managers to prevent a split among Conservative MPs so close to the election.

"You can draw your own conclusions why it had to be done this way," said an official. "It would not have been much fun getting this through."

The legislation specifies the one-for-one rate for converting European currency units (Ecu's) into euro and secures the continuity of contracts — such as bonds and derivatives — after the planned launch of the single currency in 1999.

The UK government agreed a legal text at the European Union

summit in Dublin last December, but retained a parliamentary reserve over it. Without a House of Commons vote, the legislation cannot go forward to the Council of Ministers in Brussels and become EU law.

"The reserve will be lifted early in the new parliament," said an aide of Mr Kenneth Clarke, the UK's chief finance minister. "Given that the text has been agreed, a delay should not cause any uncertainty."

Mr Clarke has informed Mr Yves-Thibault de Silguy, French commissioner for monetary affairs, that the government would not be

able to lift its parliamentary reserve until after the election, expected on May 1.

Mr Clarke pledged to secure passage after the election and before the EU summit in Amsterdam in mid-June, which is also meant to wrap up the Maastricht treaty review conference.

In Amsterdam, EU leaders are also supposed to agree on the operation of a reformed European exchange rate mechanism.

Mr Tim Sweeney, director-general of the British Banks Association, said the City had been lobbying efforts in Brussels to clarify the legal status of the euro. "Anything

which limits uncertainty is good for bankers," he said.

Mr John Redwood, one of the Conservative Eurosceptics' main challengers for the party leadership in the event of a general election defeat, welcomed the delay. "Britain should be using all her vetoes on matters relating to a single currency to put some common sense into her partners."

The delay in a vote on the legal text is an attempt to avoid a repeat of a row last December, when Eurosceptics forced the government to hold a full Commons debate on documents relating to the terms of the stability pact.

## UK NEWS DIGEST

## Freed trio were 'falsely accused'

Three men who served 18 years in prison for the murder of Carl Bridgewater, a newspaper delivery boy, in 1978 were released by the Court of Appeal yesterday after it was accepted that police had almost certainly forged a vital statement to secure their conviction.

The release of Mr James Robinson, Mr Vincent Hickey and Mr Michael Flickey ends a lengthy public campaign to have the convictions overturned. This is the latest in a number of high-profile miscarriage of justice cases, which include those of the individuals freed after being falsely accused of the Birmingham and Guildford pub bombings in the 1970s.

Tests indicated two police officers had forged a statement supposedly made by Mr Vincent Hickey which was used to persuade Mr Molloy to confess, the court heard. The men's convictions are expected to be quashed after a full appeal hearing in April. They were yesterday released from prison on bail.

Carl was shot while delivering a newspaper to a farmhouse. At the men's trial, it was alleged one had shot him because he had interrupted their attempt to burglarise the house.

John Mason

### Liberal Democrat opposition campaigns on small budget

## Motorised poster takes to the road

By George Parker, Political Correspondent

The Liberal Democrats, the UK's second largest opposition party, yesterday unveiled their national advertising campaign for the general election — a single poster on the side of a truck.

The motorised billboard set out on a tour of marginal seats in London before embarking on a vote-winning mission up the M40 motorway: the rented vehicle had to be back at its depot in Oxford, about 80km from London, by 8pm.

Liberal Democrat chiefs admitted the one-day poster tour, which cost the party £2,000 (£3,240), is the nearest they will come to a national advertising campaign in the run-up to the election.

With only £1.25m left in the campaign kitty, the party cannot afford any fixed poster sites — nor will it be able to advertise in the national media. Instead, the Liberal Democrats will focus their cash on wooing voters in about 50 target seats, many of them in the south of England.

"The campaign will be mean and lean," said Lord



Let me in: Paddy Ashdown campaigning with the £2,000 mobile poster in London yesterday

Holme, who heads the party's general election team. "We think the slick marketing techniques of the other parties will alienate voters."

Yesterday's advertisement is typical of the low-cost election strategy being pursued by the Liberal Democrats.

While the Conservative election campaign is bankrolled by corporate donations and Labour, the main opposition party, can count on the support of trade unions, the Liberal Democrats have to rely mainly on individual contributions.

Lord Holme said the party had about £2.5m in its national campaign kitty, but

around half of that had already been spent on preparing the ground in its top target seats.

The remaining fund is tiny compared with that available to the other parties.

The Conservative party is thought to be spending £5m on one set of advertisements alone, with a "lion" theme, and Labour is expected to mount a similarly lavish campaign.

Meanwhile, Labour's hopes of securing a pre-election deal with the Liberal Democrats on constitutional reform looked in doubt yesterday after Mr Paddy Ashdown warned that the talks might have to be adjourned

until after polling day.

The Liberal Democrat leader believed the cross-party talks had failed to make sufficient progress.

Labour wants a deal in the

next few weeks, to clear the way for the smooth passage of its sweeping package of constitutional reforms if it wins the election. Mr Robin Cook, Labour's spokesman on foreign affairs, said a week ago that a conclusion to the talks was "within sight".

But senior Liberal Democrats are less confident a deal can be struck, particularly as Labour has made no obvious concessions on the question of electoral reform.

## Binder's partners settle out of court

By Jim Kelly, Accountancy Correspondent

About 150 former partners of BDO Binder Hamlyn, the UK accountancy firm, have agreed an out-of-court settlement of \$36.1m with ADT, the US-based security firm, it was announced yesterday.

The settlement is one of the largest ever reached with a UK firm but is far less than the £25m — £16m with interest and costs — awarded by a High Court judge when the case was bought by ADT in 1995.

The partners had planned to fight that judgment at the Court of Appeal later this year. It was understood to outstrip the firm's professional insurance cover by £24m (£35m). The settlement can be met through existing cover.

The agreement comes less than 24 hours after the UK government unveiled the detailed plans to allow UK firms to shield partners' personal wealth from litigation stemming from the negligence of fellow partners.

"The costs and the uncertainty of the outcome of litigation have influenced us in taking this essentially commercial decision," said a spokesman for BDO Binder Hamlyn.

Accountants had hoped the appeal case would settle whether they could owe a "duty of care" to a company with which they had no formal contractual relationship.

ADT alleged that, at a meeting in 1990, Mr Martin Bishop, a Binder's audit partner, gave a verbal assurance to ADT about the 1989 accounts of Britannia Security Group — a company which BDO Binder Hamlyn had audited.

ADT went on to purchase Britannia Security Group and said it had based its price on Mr Bishop's assurance on the accounts — even though he was not employed by them as a reporting accountant.

ADT said that when the takeover was over it had found BSG was worth £40m — rather than the £10m it had expected.

BDO Binder Hamlyn ceased trading in October 1994 when the London practice merged with Arthur Andersen Worldwide Organisation.

## ■ ECONOMY

### Spending fuels steady growth

Buoyant consumer spending on cars, services and household goods fuelled the acceleration of economic growth in the fourth quarter last year, but investment remained weak.

Figures published yesterday are likely to strengthen the hand of Mr Kenneth Clarke, the chief finance minister, in resisting calls for higher interest rates. They showed the economy grew strongly but steadily at the end of last year, calming fears of an inflationary consumer boom.

The Office for National Statistics said gross domestic product grew 0.8 per cent in the fourth quarter of last year — its fastest rate of growth for two years. Consumer spending rose 0.9 per cent in the fourth quarter, a slightly slower pace of growth than earlier in the year, but 3.7 per cent higher than in the same period a year earlier.

However, investment grew by only 0.2 per cent after a large drop in the third quarter, and most new investment was in housing rather than in new plant and machinery. This was in spite of company profits being 21 per cent higher than in the same period a year earlier.

UK exports grew more strongly than imports, despite the strength of the pound.

Excluding oil and gas extraction, the economy grew 0.7 per cent in the fourth quarter to reach a level 2.5 per cent higher than a year ago.

Graham Bowley

## ■ LOCAL GOVERNMENT

### Chief forced to drop directorship

Ms Heather Rabbatts, the high-profile chief executive hired to head Lambeth, a London local authority, has been forced to step down as a non-executive director of Centrica, the British Gas offshoot, after pressure from Conservative councillors.

Local Conservatives opposed the appointment on the grounds that it would create a conflict of interest and would be a "distraction" from her local authority responsibilities.

By opposing the move, Conservative councillors ignored an appeal from Lord Sheppard, the Tory peer. In a letter to councillors, he argued that Ms Rabbatts' appointment would be an inspiration to other ethnic minority women and a signal of the increasing co-operation between public and private sectors. Ms Rabbatts said there would have been no conflict of interest.

Mr Jim Dickson, leader of the Lambeth Labour group, said: "It is an act of political spite by the Conservatives." Labour, which runs the council with the Liberal Democrats, the UK's third biggest party, has been trying to bury Lambeth's reputation as one of the worst victims of 1980s municipal socialism.

David Wighton

## ■ WATER

### Suppliers plan 'costly' reservoirs

The water industry will step up pressure to build expensive new reservoirs — to be paid for by its customers — as part of nationwide consultations to be launched on Monday to avert a "disastrous" water crisis within 10 years.

The Water Companies Association, which represents water-only suppliers, will also urge the government to change the law to allow a controversial redistribution of water abstraction licences among companies. The WCA said it wanted to bring together all the water and sewerage companies, regulators, consumers and environmentalists to devise a "long-term plan" to keep supplies in step with the twin demands of growing consumption and a drier climate. It said Britain otherwise ran the risk in the early 21st century of hosepipe bans every summer, cuts in water supply, rivers drying up and fish dying.

Ofwat, the industry regulator, which is examining the companies' latest plans to conserve water, said that to keep bills down, demand management had to be tried before new reservoirs were developed.

Leyla Boultton

## Spotlight on valuation methods

Clyde deal has highlighted differences in UK and US approaches

When Mr JP Bryan, head of Gulf Canada Resources, said he wanted to pay for the "steak and not the sizzle" in his takeover bid for Clyde Petroleum, he gave the UK oil sector food for thought.

His comments brought the differences between the US and UK valuation methods into sharper focus. For his lack of interest in the "size" of future production and exploration success appeared in direct contrast to the desires of the UK market.

The \$49m (£30m) hostile battle, which Mr Bryan won on Tuesday, has opened up the debate about valuing exploration and production companies. Historically, the UK market has focused on valuing the net assets of exploration companies, whereas US companies tend to be judged by their cashflow multiples. These multiples use forecasts of operating profits plus depreciation divided into current share price. The difference partly reflects the preponderance of more mature US producers, compared with the "wildcat" UK explorers.

US exploration companies typically work onshore and drill a large number of smaller and inexpensive

holes. Making cashflow estimates relatively easy for several years in advance. The UK companies tend to work offshore on fewer but larger wells, set to come on stream far into the future.

UK analysts estimate future production from these and then discount the cash to arrive at a present value. The method was prompted by the specific attributes of the UK industry.

Mr Robert Arnott, oil analyst at SBC Warburg, says: "Five years ago, when you were looking at companies in the North Sea with no production, you had to use discounted cashflow. There was no other way to do it."

Companies that are not expected to produce cash for years were trading on higher multiples than Clyde, chiefly because of exploration.

Jane Martinson

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Deposits

## COMPANIES AND FINANCE: UK

Freed trio  
falsely accused

## Pearson sells Hong Kong TV stake

By Tim Burt

Pearson, the media and information group, yesterday said it was selling its 10 per cent stake in Television Broadcasts (TVB), Hong Kong's leading broadcaster, for £11.5m.

The company, whose interests include the Financial Times, has agreed to sell the shareholding to Shaw Brothers, the Hong Kong communications and entertainment group which first sold the stake to Pearson for £10.5m two years ago.

## Shield confirms heart test progress

By Roger Taylor

Shares in Shield Diagnostics, the lossmaking healthcare company, leapt 110p to 528½p yesterday, after the company said that initial research confirmed that its test for heart disease appeared to work.

Heart disease is the developed world's biggest killer and the market for Shield's product, if successful, could be more than 250m year. Its share price has quadrupled over the past month.

Shield has a patent on using tests for the presence in the blood of a chemical called AFT, as a way of predicting propensity to heart attacks.

Research is being conducted in the US and UK to test the link between AFT and heart attacks. If positive, AFT tests are likely to take over from cholesterol tests as the main way of diagnosing potential heart attacks.

The company yesterday published a letter from the Medical Research Council which said that initial analysis of work by St Bartholomew's Hospital appeared to indicate that AFT was a more accurate predictor of heart attacks than either cholesterol or another candidate predictor, fibrinogen.

However the letter stressed that these findings were only preliminary and final results would not be available until later this year.

Shield was floated at 112p in September 1993, but the shares fell as low as 33p in 1995. Last month the company warned that it would make a loss of £2m to £1m in the year to March 31.

The current share price rally was started by a newsletter from the company which was optimistic about the prospects for AFT tests. After the share price jumped the stock exchange asked Shield to confirm that the newsletter contained no new information.

Mr George Zajicek, a director of Shield, said: "The information in the newsletter had been published with our last set of interim results, but produced little interest at the time."

## VDC edges up to £733,000

VDC, the AIM-listed supplier of veterinary and dental health products, which recently issued a profits warning, lifted pre-tax profits for the six months to November 30 just £2,000 to £733,000 on turnover up 25 per cent to £38.1m.

House broker Beeson Gregory had cut its pre-tax estimate for the year to May from £2.7m to £1.7m after VDC revealed problems in the accounting systems of its recently acquired Pre-care Health subsidiary.

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DON'T DREAM IT. DRIVE IT.

Mr Greg Dyke, chairman and chief executive of Pearson Television, said the TVB investment had not created the hoped-for production and distribution opportunities for Pearson in Asia.

"We did not think we could achieve our aims through this investment, although it has given us great insight and experience of the television business in the region," Mr Dyke said.

In Hong Kong, Pearson's TVB disposal will leave Shaw Brothers - the family company of Sir Run Run Shaw, the so-called "grandfa-

ther" of Hong Kong broadcasting - with 33.5 per cent of the company.

Industry observers in Hong Kong described the move as a possible precursor to a shareholder restructuring at TVB, which could end with Shaw Brothers taking the company private.

Shares in TVB last month reached a high of HK\$34.80 following analysts' forecasts of improved advertising revenue and growing demand for TVB's lucrative library of Chinese-language films.

thought to be one of the largest in the world.

Pearson, which acquired its TVB stake at HK\$3.25 a share, has agreed to sell its holding for HK\$33.25 a share.

Mr Makinson said the proceeds would be used to reduce group borrowings, estimated at £250m-£300m at the end of 1996.

Yesterday, however, Moody's Investor Service downgraded Pearson's senior debt from A1 to A2.

The US credit rating agency said the move reflected uncertainties over

## NEWS DIGEST

## Salvesen rebels reject plans

Rebel shareholders in Christian Salvesen, the distribution and equipment hire group, yesterday rejected the company's detailed plans to demerge and distribute £100m to shareholders.

Mr John Grant, the former LucasVarity finance director chosen by the rebels as Salvesen chief executive designate, said yesterday's Salvesen circular had failed to break their opposition. "The biggest surprise is that nothing is new," he said. "It fails to give substance to our contention of increasing value for shareholders."

The rebels, who claim to speak for 10 per cent of Salvesen shares, will oppose the cash distribution at an EGM on March 13. If they can secure a majority of the votes, they plan to install a new board with Mr Grant at its head and a brief to expand by acquisition.

But in the first detailed breakdown of the restructuring plan, Sir Alastair Rankin, chairman, confirmed that the company will distribute £100m to investors through a foreign income dividend of 34p a share.

The dividend will be accompanied by a capital consolidation that will replace every nine existing shares with eight new ones. Mr Chris Masters, chief executive, said: "Effectively, this is a very tax efficient share buy-back." Details of the plan to demerge the Aggreko equipment hire business will be published in the summer.

Ross Tremain

## Inspirations shares rise

Shares in Inspirations, the vertically integrated tour operator, rose 4½p to 80½p yesterday, after Mr Jim Harris, chairman, told the annual meeting that passenger volumes were 12 per cent higher than this time last year. He also said average prices obtained were higher than last year.

Mr Harris said capacity for summer 1997 had been reduced by about 20 per cent in favour of margin and yields. The tour operating division's cost base had fallen accordingly. Summer 1997 passenger volumes were down in absolute terms, but the percentage of the programme sold was higher than last time.

The company floated on the USM at 100p in 1993. Inspirations reported a pre-tax loss of £13.2m (£7.7m profit) for the year to September 30 1996 and passed the final dividend.

Mr Ian Berry of house broker Beeson Gregory said he was leaving his forecast for this year's pre-tax profits unchanged at 25m.

Patrick Stiles

## Alpha Omikron dismissal

Alpha Omikron, the AIM-listed distribution company based in Monaco, yesterday said it had dismissed Mr Robert Bradshaw who was working at Wellington International Finance, the holding company for the group's medical insurance business.

The dismissal comes two weeks after Alpha Omikron announced the resignation of Henderson Crosthwaite, its nominated adviser and broker. Alpha Omikron could not be reached for comment.

Michael Lindemann

## Stordata in black with £1.5m

Stordata Solutions, the specialist IT distribution group, achieved pre-tax profits of £1.5m for the year to November 30 against a loss last time of £473,000.

The result, on turnover of £12m (£8.24m), was after exceptional charges of £200,000 (£360,000) and a £90,000 loss on the closure of Patriot, a start-up venture. The comparatives include results of Millgate prior to the merger in October 1995.

## Alexanders makes £20,000

Alexanders Holdings, the car retailer and distributor and fleet management concern, yesterday reported pre-tax profits of £20,000 for the year to September. Last year, the figure was £221,000, after a gain of £222,000 from the sale of its South Gyle facilities.

Mrs Aleksandra Clayton, chairman, said the performance of the group's franchised dealer operations had been disappointing overall, but Alexanders Contract Rents had enjoyed another year of outstanding performance.

## Capita placing for purchases

Capita Group, the outsourcing and professional support services provider, is raising £1.85m in a vendor placing to finance two acquisitions.

It is buying Hartshead Solway, the pensions administrator, for £4.35m plus loan repayment of £400,000. The vendor is WPF Holdings, which is controlled jointly by seven regional water companies. Hartshead's income for the year to March 31 1996 was £6.6m with pre-tax profits of £544,000. Capita will become the UK's largest provider of pensions administration services with 1.8m lives under management.

The company is also acquiring the remaining 50 per cent of DriveSafe Services, its joint venture with JHP, the training, recruitment and business services company. DriveSafe set up and administers the theory test for learner drivers throughout the UK. The pre-tax profits in 1996 were £1.15m and net assets £92,000. The consideration is £7.5m plus 394,683 ordinary shares. A further profit-related payment of up to £500,000 may be made.

The placing of 1.94m new ordinary shares at 610p is underwritten by Close Brothers. The shares rose 7p yesterday to 640½p.

## Pilot board rejects offer

The independent committee of directors appointed by Pilot Investment Trust to decide on the offer by Undervalued Assets Trust has recommended that shareholders reject the bid.

The directors point out that if the bid were to succeed, UAT would acquire Pilot for an aggregate consideration of £46.9m whereas the smaller companies trust had net assets of about £53.2m at the last published valuation on January 31. "On this basis the consideration would be nearly 12 per cent less than your company's net book value," the directors said.

The board will be writing to shareholders before March 7 about ways of achieving higher value for them than available under UAT's offer.

■ ADT, the US home security company on the receiving end of a \$3.5bn (£2.1bn) hostile takeover bid, yesterday settled a lawsuit with Binder Hamlyn, the former auditors of Britannia Security, which ADT took over in 1990. ADT will receive a payment of \$77.5m with a further deferred payment of \$8.6m.

■ FIRST CALL: Directors of the dcket and management services company, yesterday said they were in negotiations which may or may not lead to a "significant acquisition of a related UK business". They had "noted" the recent movement in the company's share price, which yesterday rose 2½p to 11p. At the beginning of the week, the shares stood at 7p.

■ GALLIFORD is continuing its strategy of concentrating on its core private housebuilding and construction contracting activities with the disposal of Galliford Rosestone, its construction materials arm, to a management team for £1.51m. Galliford also intends to withdraw from the specialist contracting business of Ancorite.

■ WACE GROUP, the imaging and specialist printing group, has contracted for the sale and leaseback of its site at Rathfarnham, Dublin to Jackson Properties for £6.55m (£5.3m) in cash. The site was acquired in January 1996 as part of a purchase of assets from Hallmark Cards.

## Nesbitt searches for a trump card

Scheherazade  
Daneshku finds the Capital Corporation chief looking for better bid odds



Hands off: Garry Nesbitt has described London Clubs' £178m offer for Capital Corporation as 'most unwelcome'

Photo: Fergus White

Garry Nesbitt learned to sing and dance at the theatrical school, but his fascination with odds and probabilities led him to apply for a job in 1961 at Crockfords, London's first legal casino, at the age of 19.

Dressed in cravats and knee-breeches - "everything except the powdered wig" - he moved chairs, circulated chocolates and collected tips from the club's wealthy members before being promoted to the gaming tables where he handed out change to the croupiers.

Now as chairman of Capital Corporation - owners of Crockfords - he and Mr Alan Hearn, chief executive, have spent much of the week at the offices of their advisers, Hambros, engaged in drawing up a plan of action against the £178m hostile bid launched by London Clubs International on Monday.

Mr Nesbitt describes the 47-for-100 all-share bid as "most unwelcome". He says it undervalues the company and threatens to concentrate high-rolling London casinos in the hands of one player.

London Clubs, with seven casinos in the capital, including the Ritz, has up to 45 per cent of the drop - the amount exchanged for chips - in the £1.7m London market. Capital, with two casinos, has just under 25 per cent.

"Very few people are totally loyal to one casino," says Mr Nesbitt. "If they lose money they give their luck a try somewhere else. And what they like is an alternative management to greet them if Capital fails to London Clubs, it will lessen the choice that these players have."

With such high stakes, returns can be unpredict-

able. In the three years before Mr Nesbitt floated Crockfords in 1993, 10 "exceptional" players' losses accounted for half the company's profits; now 20 players account for the same proportion.

He acknowledges that the business is volatile: "You can get hit - but when it goes your way, you can make phenomenal profits."

The company had its best year in 1993, with pre-tax profits of £22m on turnover of £55m. But since flotation, profits have dropped - the company has warned that they fall to between £8.5m and £9m in 1996.

"Last year was exceptionally poor because we had one-off costs. In a normal trading year, the business makes £15m of profits," says Mr Nesbitt.

Heene and Harvester restaurants, later developing the Travelodge division.

Mr Hearn says that the computer-based cost controls are all in place and the company is now well positioned to take advantage of the expected upturn in the London market on the back of gaming deregulation.

The company says its target of realising 10 per cent of the London market for the Colony Club was achieved within six months of its reopening - a year ahead of expectations.

"We are probably the last play in terms of a good independent casino," says Mr Hearn. "We have yet to have a full year of trading from both clubs. London Clubs shouldn't be able to buy the Colony for nothing and that is what its offer is priced at."

■ The transition from one entrepreneurial casino to two has been difficult," acknowledges Mr Nesbitt.

The company had its best year in 1993, with pre-tax profits of £22m on turnover of £55m. But since flotation, profits have dropped - the company has warned that they fall to between £8.5m and £9m in 1996.

The company said it was also seeing rapid growth in its outsourcing services divi-

sion which includes managing school inspections and providing part time lecturers to colleges of further education.

Turnover for the division jumped from £55.1m in 1993 to £65.1m last year.

The company does not expect much growth from UK schools but said there were opportunities in eastern Europe. It runs international schools in Warsaw, Prague and Moscow.



Kevin McNeany: will hold 45 per cent of the company

## RESULTS

Investment Trusts	NAV (p)	Attributable Earnings (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	
							Total last year	Total last year
Johnson Matthey	101.73 (92.66)	2.14 (2.32)	7.37 (8)	2.14	Apr 15	2	7.3	6.8

## COMPANIES AND FINANCE

Europe's biggest tyre maker to slim French operations in battle with "increasingly aggressive" competitors

# Michelin faces charge for 1,445 job cuts

By David Owen in Paris

Michelin, Europe's biggest tyre maker, plans to cut 1,445 jobs from its French tyre and distribution operations, in a move that could result in a significant charge.

The traditionally secretive Clermont-Ferrand based company yesterday confirmed the cuts would lead to provisions being included in its 1996 results.

It refused to stipulate the amount. However, analysts suggested a charge of about FFr500m (\$37.6m) could be "in the ballpark", based on past provisions made by the company as a result of similar moves.

They estimated this could reduce the group's 1996 net profits, expected next month, from about FFr3.35bn to nearer FFr2.9bn - on a par with 1995.

Investors took yesterday's

announcement in their stride, with the company's shares falling FFr2.10, or 0.6 per cent, to FFr350.60, a decline only marginally steeper than the benchmark CAC 40 index.

The group said the reductions would come at its plants in Clermont-Ferrand, Joué les Tours and Troyes as well as distribution centres. It said a range of measures, such as internal transfers and a reduction in working

hours, should preserve 710 jobs. The net reduction in its 30,000 French workforce would therefore be 735.

The company attributed the decision principally to the need to improve its competitiveness. "In a very difficult economic context, characterised by rapid and unforeseeable fluctuations, competing manufacturers are becoming increasingly aggressive in the European market," it said.

Last September, while unveiling first-half net profits down 11 per cent to FFr1.35bn, Michelin announced it was taking an exceptional charge of FFr728m, relating mainly to restructuring at Neumáticos Michelin, its Spanish subsidiary. It said the shake-up would mean cutting jobs at the unit by 1,000, to between 8,000 and 9,000.

Although surprised by that move, analysts had responded reasonably positively, because of the speed with which the company had expected to make up the cost of the provision.

Yesterday's response was similar. According to Mr Stephen Reitman, an analyst with Merrill Lynch in London: "It is financially appealing because of the short pay-back - about two years."

Michelin said the cuts were not related to the introduction of C3M, an automated manufacturing unit about which little is known but which has aroused great interest in the industry.

Although a C3M unit had recently started up in a plant near Lyons, the new technology accounted for an "extremely low" proportion of total production. Michelin executives have previously put this proportion at less than 1 per cent of the company's world output of passenger car tyres.

## Kmart sells Mexican interest

By Leslie Crawford  
in Mexico City

Kmart, the US retailer, and El Puerto de Liverpool, its Mexican partner, have ended a three-year alliance with the sale of their joint interest in Kmart Mexico to Comercial Mexicana, Mexico's second-largest retail chain.

Comercial Mexicana is to pay \$148.5m in cash for Kmart Mexico's three superstores in Mexico City and two other stores in the province.

The acquisition was not well received on the stock market, where Comercial Mexicana shares fell 5 per cent in early trading yesterday. Traders said they were worried about Comercial Mexicana's ability to finance such a large acquisition.

Kmart and Liverpool are selling at a loss. Each partner ploughed \$100m into the joint venture when the Mexican economy was booming; the peso was strong and the growing purchasing power of 90m Mexican consumers seemed like a one-way bet.

The devaluation of the peso in December 1994 and the deep recession that followed changed the outlook for the half-dozen cross-border retailing alliances that flourished with the North American Free Trade Agreement.

Retail sales fell by 1.9 per cent in 1996 after collapsing by 24.8 per cent in 1995, according to Mexico's national statistics institute. As a result, Kmart Mexico never broke even.

In Detroit, Kmart said the sale of its Mexican interests formed part of a two-year-old plan to strengthen its financial performance by selling non-core assets.

The company said it would record a small charge against its fourth-quarter earnings owing to the sale, but Mr Robert Burton, Kmart investor relations director, said the charge would not have a big impact on earnings.

Andrew Jack

## Restructuring paying off at Hickson

By Roger Taylor

Restructuring at UK chemicals group, Hickson, helped to make pre-tax profits before exceptions of £7.8m last year compared with a loss of £16.1m for the previous year.

Exceptional losses of £17m on the disposal in November of subsidiary, Hickson Manro, left a pre-tax loss of £9.2m (£46m) for the year to December 31. The dividend was omitted again.

Mr David Wilbraham, chief executive, said the first objective was to cut debts and that disposals of about £25m would be made to achieve this. Cash from last year's disposals cut net debt to £56.4m (£82.8m) leaving gearing of 51 per cent.

Interest payments of £6.2m (£6.6m) were covered only 2.3 times by operating profits of £14m. An additional £1m in interest payments were included in the provisions.

Hickson began a fundamental review of all its operations after falling into losses in 1995. Disposals over the last two years have cut the number of operating sites from 38 to 18 and the number of employees from more than 2,700 to 1,800.

Mr Wilbraham said he was satisfied with the improvement in trading profits last year. He expected all divisions to be profitable by the end of this year.

Operating profit on continuing operations rose 8 per cent to £10.5m on turnover up 6 per cent at £283m. The protection and coatings side,

Hickson's largest, saw operating profits rise 16 per cent to £11.1m on turnover up 5 per cent at £168m.

Hickson's intermediates division more than doubled operating profits to £5m (£2.4m) on turnover up £7.7m (£7.9m).

However, performance chemicals incurred an operating loss of £2.1m compared with a profit of £1.6m the previous year. But excluding a one-off compensation payment of £7m in 1995, the division had shown an improvement.

Earnings per share were 4.1p (3.3p) before exceptions, with losses per share at 5.6p (25.6p) after.

### COMMENT

The storm is abating but Hickson is still not out of safe waters. Interest cover remains perilously low at a time when prices and margins for many chemicals continue to fall. The new management team has improved profitability at all the company's divisions but much depends on the timing and price of disposals. Brokers Merrill Lynch are forecasting pre-tax profits of £10m on a forward p/e of 15. This is a premium to the market justified by a recovery potential which could produce earnings growth of 30 per cent for each of the next two years. It is a risky proposition, but on the evidence of yesterday's results the company looks as though it could pull it off.

## Club Med gets Euro Disney touch

Mr Philippe Bourguignon is leaving the theme park group for the holiday village giant

**I**magine all the economies we made over the last three months will have been chucked away in telephone calls made from our villages today," joked Mr Serge Trigano, the chairman of Club Méditerranée on Friday evening.

It was a rare moment of humour during a melancholy presentation to journalists in the group's new headquarters in the extreme north-east of Paris - one of many recent attempts by the world's best-known operator of holiday villages to make cost savings.

But neither Club Med's international reputation nor its piecemeal approach to cutting overheads since Mr Trigano took over the reins of the group in 1993 from his father, who founded the business in 1950, were enough to prevent its shareholders from demanding more radical intervention.

After months of pressure on the share price, growing criticism from financial analysts and mounting boardroom discontent, Mr Trigano yesterday announced he would be relinquishing his place as chief executive, while unveiling losses for 1995-96 of FFr743m (\$130.5m) after taking provisions of FFr820m to support a wide-ranging restructuring.

The news came as a surprise to Club Med's staff - many scattered in more than a hundred holiday villages around the world - but equally to the employees of Euro Disney, the theme park outside Paris, who yesterday also found themselves losing their boss.

But Mr Trigano - in a view presumably shared by Mr Bourguignon - was ada-



Valuing warmth: Club Med regards its special approach to clients as an important asset

mant on one thing yesterday. "I am ready to accept many criticisms of the club, but not that the concept is outmoded." He argued that numerous competitors continued to be inspired by its villages and attempted to copy them.

Its strengths, he said, included both the "tangible" elements of Club Med's villages, such as its buffets and

and expanding the international ambitions of the once family-run business which has become a holiday giant.

If not, it remains more vulnerable than ever to takeover, after its five leading shareholders decided last December to unwind the pact that locked them to their existing investments.

Andrew Jack

## Bakyrchik raises £7.1m in placing

By Patrick Harverson

The cost of redeveloping Stamford Bridge stadium and of assembling an expensive first team squad left Chelsea Football Club's parent company in the red during the first half of the year.

Chelsea Village, which joined the stock market last March, announced pre-tax losses of £404,000 on turnover of £10.43m for the six months to December 31. Losses were 0.27p per share.

Comparable figures for the previous year's first half were not available, but revenues were higher than in the last six months of 1995, thanks to improved gate receipts and television income.

In the first half, the club spent £12.5m on acquiring new players but recouped £6.5m from selling five players. The higher wages paid to new foreign stars such as Gianfranco Zola, Gianluca Vialli, Roberto di Matteo and Franck Leboeuf contributed to it.

Announcing that it had placed £1.6m through the placing of 3,200 shares at £500 per share, valuing the company at £50m, the east London Premiership club said it would reconsider a flotation if it was relegated to the first division.

Chelsea has confounded those who questioned whether it could raise funds on the stock market for the redevelopment of its stadium without selling to institutions, which seem reluctant to invest in the company until they know more about its largest shareholder, the mysterious Cecil Lee trust.

More than £26m of shares have been placed with private investors since last July, and spending on the stadium complex should begin to feed through into higher revenues from next season.

However, the first profits and dividends are still more than a year away and with the stock trading on a steep multiple of some 13 times revenues, the shares look fully valued.

## Cost of foreign stars leaves Chelsea in red

By Tom Burns in Madrid

The club also expects to negotiate a more lucrative shirt sponsorship deal with a new company than its current deal with the brewer Scottish Courage expires at the end of this season.

The shares rose 6p to 161.4p yesterday, valuing the company at £231.9m. It was floated last March at 55p.

### COMMENT

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## Endesa income rises 10% for year

By Tom Burns in Madrid

Endesa, Spain's state-controlled electricity group which is due to be privatised over the next three years, yesterday announced net income rose 10 per cent to Pt165m (\$1.2bn) in 1996.

The chief feature of the result, which was in line with forecasts, was the consolidation of the parent company's increased stakes in subsidiaries Sevillana and Fesca. This led to a 7.7 per cent increase in the group's assets, to Pt3.75bn.

In October, Endesa raised its shareholding in Sevillana from 39 per cent to 75 per cent and in Fesca from 49 per cent to 75 per cent. The acquisitions increased the group's distribution business and improved its generating mix.

Endesa's production, which accounts for 47.3 per cent of domestic electricity generation, remained stable. The group's sales increased 3.7 per cent and gave it a 3 per cent market share. Average debt was reduced by 16 per cent during 1996.

The group generated cash flow of Pt440.4m, 44.7 per cent up on 1995. It is likely to continue an aggressive investment policy that has included acquisitions in Latin America, and diversification into telecommunications in Spain.

Endesa bought controlling stakes last year in a Peruvian company that is expanding a gas-fired generator near Lima; and in Endnor, the main electricity distributor in greater Buenos Aires. In Spain it is a core shareholder of Airtel, a mobile telephone network, and of Retevisión, which is to be Spain's second basic telephone operator.

The government plans to reduce its 66 per cent stake in Endesa to below 50 per cent late this year.

## Allied Leisure gets chill from cold snap

By Michael Lindemann

Shares in Allied Leisure fell 6p to 46p yesterday after the UK bowling and restaurants group warned that trading was "patchy".

The cold snap over Christmas and the new year had kept customers away and sales growth at 25 of the 35 bowling alleys which have not yet been refurbished was running "behind expectations", the company said.

Pannure Gordon, the house broker, has cut its full-year pre-tax forecast from £4.8m to £4.3m (£1.14m), including a £200,000 charge for bad weather.

Sales in the first seven weeks of the calendar year had risen 6.7 per cent on a like-for-like basis, but Mr Neil Gouden, managing director, said the company had hoped for double-digit growth.

Following the expansion last year into bowling alleys, Allied said it was now looking to sell its last night-club, Goldiggers in Chippingham, as soon as possible. Mr Gouden said Allied had 40 possible buyers.

The Poole-based company said it was also in talks to buy eight Burger King franchises to supplement a test

franchise agreement it signed in November with Blimpie, the US sandwich company.

The two ventures mark Allied's expansion into the branded restaurants business.

Pre-tax profits in the six months to December 31 were 14.5 times, in line with the market.

On the revised profit forecast, the p/e to June 1997 is 14.5 times, in line with the market.

Neil Gouden: company had hoped for double-digit growth

doubled from £9.7m to £18.9m. Earnings per share rose from 6.6p to 10.7p.

An interim dividend of 6.3p is the first interim payout since 1994. The group last year paid its first dividend in three years.

On the revised profit forecast, the p/e to June 1997 is 14.5 times, in line with the market.

The pre-tax figure was helped by a property disposal gain of £1.4m.

The proposed final dividend rises from 7.5p to 11p, making a total up 40 per cent at 17.5p. Earnings per share were 82.7p (£7.3p) after the exceptional gain, and 75p (£3.9p) before it.

The UK operation, which accounts for 26 per cent of sales, benefited from improvements in the housing market in the second half, when operating profits grew 7.6 per cent to £11.1m.

Operating profits for the year in the UK rose from £15.5m in 1995, with Irish sales reaching £14.1m, up 18 per cent.

Builders' merchanting, led by Chadwicks, achieved 13 per cent sales growth to

£19.7m. Sales at its concrete, plastics and paints manufacturing division were up 18 per cent to £16.3m, while turnover at Woodles, its market leading DIY retail chain, was 39 per cent ahead at £28.5m.

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## FINANCIAL TIMES

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Saturday February 22 1997

## Momentum after Deng

However controversial the political legacy of Deng Xiaoping, the verdict of history on the late Chinese leader's economic achievements must be overwhelmingly positive.

Between 1980 and 1995 the Chinese economy grew at a phenomenal average rate of around 9 per cent a year. While the population increased from just under 1bn to 1.25bn, gross domestic product per head rose from \$203 to \$540. The comparable figures, after adjusting for purchasing power parities that reflect the cost of a standard basket of goods, show a near-threecold rise from \$733 to \$2,068. Over the same period China's share of world trade increased from 0.9 per cent to 2.6 per cent.

The twin motors that drove this transformation were the liberalisation of agriculture and the opening of the economy to trade and investment. Neither would have been possible without the pragmatism that was Deng's hallmark. Yet the striking feature of his legacy is just how much ground China has to make up after nearly two centuries of gross mismanagement.

In 1820, when the world was beginning to industrialise, China's per capita GDP was around three quarters that of Japan. By 1938 it was down to a third. And by 1978, which marked the start of the reforms, per capita GDP was only 11 per cent of the Japanese level. The miraculous transformation since then succeeded in raising the figure to just 16 per cent by 1992.

A comparison closer to home is equally telling. On the eve of Hong Kong's reversion to the mainland, the 1.25bn people of China produce a total output which is little more than 4% times that generated by the 5.9m people of the Crown Colony. And in per capita terms, Hong Kong's output was 45 times greater in 1995 than that of the mainland Chinese.

### Huge potential

This sorry statistical snapshot is a measure of the historic lost opportunity - a loss all the more poignant in a country which was Europe's superior in the Middle Ages in science and technology, as well as levels of productivity and income. But it is also a measure of the huge potential. If living standards in China ultimately converge with those in the West, the country will revert to its status in the pre-industrial world as the biggest economy on earth.

This is both a daunting pros-

pect and a constructive opportunity for China's trading partners. The question is whether Deng's successors can keep the economic show on the road.

It would be extraordinarily difficult, though not impossible, to reverse the gains. The risk lies in the potential political fall-out from such rapid expansion. In effect, China is undergoing the same social stresses experienced in Europe in the 19th century. Over a mere decade and a half it has seen agriculture's share of GDP decline from 33 per cent to 21 per cent, as unprecedentedly mobile peasants have moved to the cities.

### Growing inequalities

Yet the pace and scale of industrialisation is greater than at any time in history. The inequalities between the vibrant coastal regions and the hinterland are growing. Lethargic state enterprise will ultimately have to be cut down to size, with consequent job losses. Yet the ability of a weak state to raise taxes for welfare is very limited. The risk in any slowdown, given the lack of legitimacy of the political elite in Beijing, is disproportionately great.

The biggest threat, both to China and the West, is protectionism. For the Chinese miracle is unusually trade-dependent. Over the past five years alone, the share of trade in GDP has risen from 28 per cent to 38 per cent, while manufacturing investment from overseas has nearly been running at around 5 per cent of GDP a year.

Nor will economic nationalism necessarily be an exclusively Chinese problem. While trade is a mutually beneficial activity for China and its trading partners, it entails substantial structural adjustment in the west. In the hands of nationalist demagogues, protectionist policies can be made to appear attractive to those on low incomes, for whom the pain of adjustment is greatest.

The scope for friction over trade and investment is greatly increased by China's lack of adequate property rights and legal infrastructure. It remains far from clear that China would be prepared to live with the western-style discipline required of members of the World Trade Organisation. China after Deng will thus be as uncomfortable a bedfellow in the economic sphere as in the political. It is very much in the west's interest that Deng's heirs succeed.

If these lofty ideals are to stand

any chance of fulfilment, a diplomatic mountain must be climbed between now and the alliance's July summit in Madrid. The summit, which is supposed to solve several complex problems at once, is the culmination of more than three years of diplomatic manoeuvring between Nato and its former adversaries.

President Bill Clinton and other western leaders, making good on a promise first extended in January 1994, will invite between one and five countries to become alliance members by spring 1999, Nato's 50th anniversary.

Poland, Hungary and the Czech Republic are at the top of most lists, while Slovenia is a strong candidate. Romania enjoys backing from France and other southern states, and this month Bulgaria surprised Nato by asking to join.

The Baltic states will almost certainly be excluded from the first wave. Instead they may be offered an enhanced role in Partnership for Peace, the Nato-led military co-operation programme. Whichever countries are chosen, the most intractable problem will be Russia's intense hostility.

Nearly every significant figure in Russia's fragmented political landscape has spoken out fiercely against the Nato proposal. Objectives have ranged from the threats of Mr Ivan Rybkin, the security chief, to adopt a new, first-strike nuclear doctrine, to the less dramatic, but still implausible, opposition of Mr Yevgeny Primakov, the foreign minister.

All argue the same, simple case. The overwhelming majority of Russian politicians, writers, businessmen and officers sees the enlargement of Nato as an act of aggression. They fear that Nato expansion will formalise Russia's loss of authority over its old, east European satellites, signal Russia's exclusion from the western

club and undermine its security by bringing a hostile alliance closer to its borders.

"Let there be no hypocrisy about this," Mr Boris Berezovsky, the financier-turned-politician, wrote in a newspaper essay this week. "It is a decision which is totally aggressive with regard to Russia."

Some Russians, including Mr Primakov, concede that an expanded Nato is unlikely to attack Russia, but almost all say the alliance's move eastwards will have profound psychological significance. It may be obvious to westerners that the Kremlin lost the cold war, but the defeat has not been acknowledged or emotionally absorbed by Moscow's establishment.

Moreover, beneath its current testiness, Moscow remains committed to a strong relationship with the west. It is increasingly integrated into western capital markets, and ordinary Russians have freer and more frequent access to the west than at any time in their history.

Even in public, Russian officials are starting to acknowledge that Nato enlargement is very likely. They say Moscow must seek ways of making the inevitable less objectionable. As Mr Primakov put it after meeting Mrs Albright yesterday: "We are still negatively disposed towards the expansion of Nato. However, we are doing everything we can conceivably think of to minimise any negative consequences that might arise in the event that Nato does expand."

A fear among some opponents of enlargement is that, if Nato expands, Russia will revert to a bristling anti-western military posture. Mr Rybkin's threats could become official policy, and weapons and soldiers might be redeployed along the western border. Moscow could establish closer relations with Iran and Iraq, or forge a security partnership with China.

A further danger, often cited by Moscow liberals, is that Nato expansion could have a malevolent effect on Russia's domestic politics. With the health of President Boris Yeltsin still fragile, some observers fear the recent move over Nato could provide some ultra-nationalist politician an excuse to bid for power.

In spite of their alarmist rhetoric, most Russian policymakers seem to agree in private that Nato expansion would be less than catastrophic. The Kremlin, still smarting from its retreat from Chechnya and barely able to guarantee the battle-readiness of its nuclear forces, lacks the will and the means to join another arms race.

Yet another wild card is Turkey. Ankara has threatened to bar Nato enlargement unless obstacles to its eventual membership of the European Union are removed.

But in Washington, particularly in the Republican Congress, patience with allies that step out of line on any issue from Cuba to Iran - is wearing thin. This is likely to make European Nato countries, which must unanimously ratify Nato expansion, think twice before rocking the boat.

In the end, Nato enlargement is likely to stand or fall in the US Senate. There, according to Mr Jeremy Rosner, a US expert on the issue, "opinion is favourable but mostly unfocused".

A recent Senate resolution that implied support for expansion was backed by 81 out of 100 senators - above the required two-thirds. But only 10 have thought deeply about the issue, says Mr Rosner. The effects of Russian sabre-rattling are unpredictable, he adds. "It will make some senators more nervous, and some even more passionately in favour."

## LETTERS TO THE EDITOR

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## Look beyond military priorities to find answer to Nato's future role

From Sir James Eberle

Sir, Having just returned from Moscow, and as a former Nato commander, I feel it is abundantly clear that, unless there is a substantial breakdown of the political and social order in central and eastern Europe, the principal threats to European security will not be in the military field. It is thus also clear where our priorities should lie.

Prominence now being given to the policy of "Nato enlargement" stands in stark contrast to the lack of public attention being paid to the need for a "new European agenda", for the west to give priority to its contribution to solving the economic, social and environmental problems of the region which now constitute the wider issues of security.

The initial Nato enlargement decision in January 1994 was made without proper preparation; and there is still no unifying vision among member countries as to its strategic purpose. There has been no public debate. Ratification of the entry of each new member will be required in due

course by allied parliaments, and this will be a difficult process, particularly in the US Congress. Nevertheless, it is likely that we shall be stuck with this mistaken policy, at least in its first phase.

Efforts are now being made to ameliorate its worst results, which include the alienation of Russia and the creation of a new divide in Europe. These are aimed at the completion of a new Nato-Russia treaty. However, it will not be easy to reach an agreement that will give Russia the status and participation that she is seeking, yet which does not surrender Nato's freedom of action to a Russian veto.

These negotiations, now including heads of government, will further divert attention from the real need, which is to develop for the longer term an over-arching European security order that would provide a framework for co-operation throughout Europe in the wider range of security interests. Attempts by Russia to strengthen the Organisation for Security and Co-operation in Europe to fulfil this role have

failed. An alternative route might be provided by developing the US proposal for a "new Atlantic partnership" and for a new "Atlantic partnership council".

H US leadership is to remain

credible in Europe, the high profile pursuit of Nato expansion must be restrained. In turn, the EU, which at present too concerned with examining its naval, must give higher priority to its own policies of eastward enlargement, and of assistance in economic and technological restructuring in those countries to the east that need it most, and whose people deserve it most. EU and US leaders also need to revitalise action on these issues within G7. To do less risks allowing potential domestic social and ethnic tensions in eastern Europe to rise to dangerous levels.

Keep up the good work of

revealing the factual basic

elements.

James Eberle,  
former director,  
The Royal Institute of International Affairs,  
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London SW1Y 4LE, UK

Harry Ball-Wilson,  
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Apt 2714,  
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## Golden age of utilities and services

From Mr Harry Ball-Wilson

Sir, Your editorial "Consumer woes" (February 18) was most welcome. Prior to 1947 UK domestic gas was supplied by co-partnership local gas companies. The capital was mainly held by the consumers, and the employees, who shared in the management and profits, so both were excited to see a low-cost, efficient and responsible operation, rather than an investment gold mine.

Similarly, London's electric trolley bus services were operating at a profit, prior to being converted, by government edict, to petrol, before being privatised. The recent Round Table transport working group report is a strong indictment of current policies.

Keep up the good work of

revealing the factual basic

elements.

Harry Ball-Wilson,  
2345 Ala Wai Blvd,  
Apt 2714,  
Honolulu, HI 96815, US

## Censorship on the Internet is no substitute for good legislation

From Mr John Dunn

Sir, The European Parliament's decision to investigate ways of blocking Internet pornography and racism ("Internet censoring methods studied", February 14) suggests to me that we should be regulators have decided to make electronic media a special case for no obvious reason.

The panic seems to be caused by the fact that the Internet is a

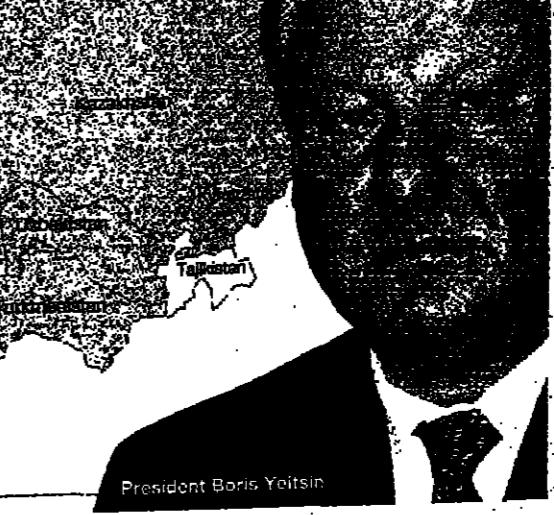
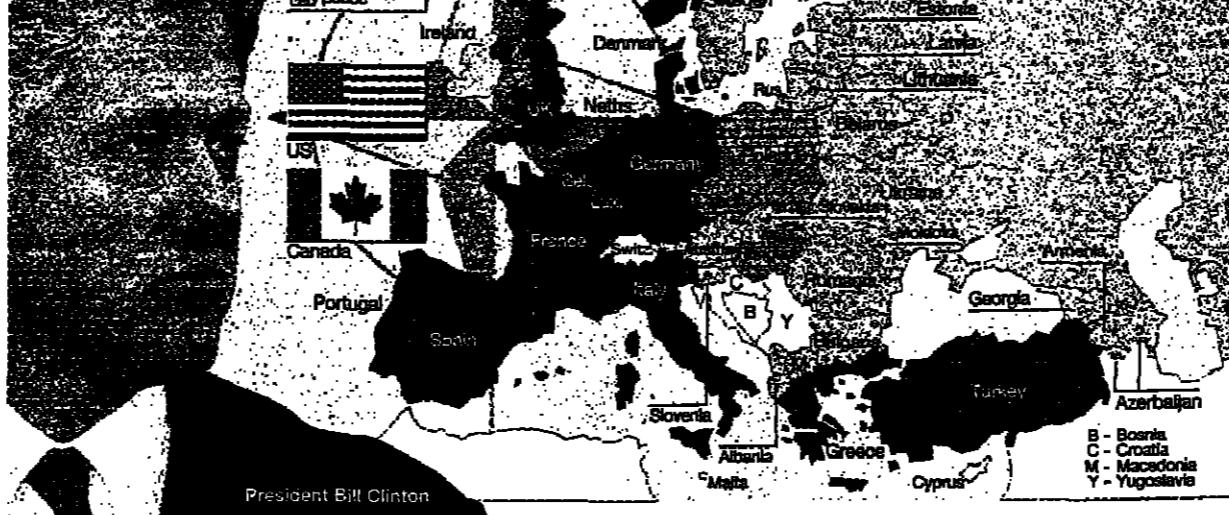
distributed, rapidly-evolving medium whose technological nature makes it difficult to control using conventional means. Regardless of whether the attempt to control the Internet using blocking technology is feasible, it is worth asking how far we should go in the attempt to enforce central control.

The answer is not to block content based on arbitrary criteria, but to spell out clearly the legal position in the same way as for

example, but by what criteria do we decide that other adults should not be able to make up their own minds? To attempt to change this balance would undermine the nature of a free society which is always based on some degree of self-regulation.

The answer is not to block content based on arbitrary criteria, but to spell out clearly the legal position in the same way as for

## Nato: looking east



## Reinvention of the weak

Bruce Clark and Chrystia Freeland on obstacles facing proposals for the eastward expansion of Nato

conventional forces in central Europe.

But the threat to expansion posed by Russian hostility to the idea may be compounded by division in Nato itself. Senior diplomats detect little real enthusiasm in west and south European capitals for a project that will diminish their share of US military largesse by spreading it among more Nato partners.

France sees enlargement as inseparably linked to the establishment of a new relationship with Russia, and to Nato's internal reforms, particularly the establishment of a European southern command. The implication is that if France does not get its way it might block expansion.

Yet another wild card is Turkey. Ankara has threatened to bar Nato enlargement unless obstacles to its eventual membership of the European Union are removed.

But in Washington, particularly in the Republican Congress, patience with allies that step out of line on any issue from Cuba to Iran - is wearing thin. This is likely to make European Nato countries, which must unanimously ratify Nato expansion, think twice before rocking the boat.

In the end, Nato enlargement is likely to stand or fall in the US Senate. There, according to Mr Jeremy Rosner, a US expert on the issue, "opinion is favourable but mostly unfocused".

A recent Senate resolution that implied support for expansion was backed by 81 out of 100 senators - above the required two-thirds. But only 10 have thought deeply about the issue, says Mr Rosner. The effects of Russian sabre-rattling are unpredictable, he adds. "It will make some senators more nervous, and some even more passionately in favour."

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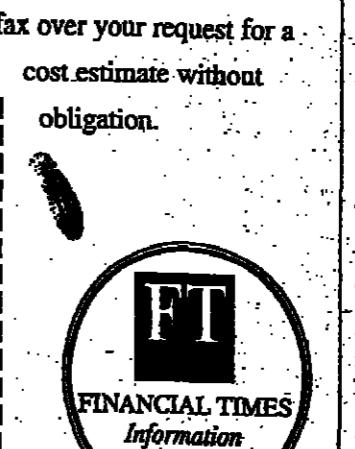
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JYK 152

**M**r Jiang Zemin, now first among equals in China's leadership following the death of Deng Xiaoping, might feel some affinity with Mr John Major, the UK prime minister. Neither is a dynamic politician, probably neither expected to rise so far, and both reached high office almost by chance.

Just as Mr Major profited from Mrs Margaret Thatcher's sudden political demise, Mr Jiang was plucked from relative obscurity to leapfrog more senior colleagues. Unlike the Beijing politicians, Mr Jiang was not tainted by association with the 1989 massacre of students in Tiananmen Square.

Mr Jiang seems to have been born under a lucky star. By all accounts he served relatively undistinguished terms as mayor and party boss of Shanghai, before being called to Beijing in June 1989 to head the Communist party in the midst of the Tiananmen Square crisis.

At the time he was described as a stop-gap leader and a transitional figure. But seven years later he stands at the pinnacle of power as leader of 1.2bn people in the world's most populous country.

It has been a giddy ascent for someone who plodded through much of his career

as a factory boss, and later as a worthy official in the ministries of machine building and electronics. As recently as the mid-1980s he was deputy head of an organisation with the prosaic title of Electronics Industry Invigoration Leading Group, according to his official biography.

An avuncular 70-year-old who dies his hair, Mr Jiang may not have been a high-flyer. But since arriving in Beijing in 1989 he has been meticulous in his efforts to consolidate power.

Critics complain that he is without firm beliefs or fresh ideas. He is sometimes referred to as leader of the "wind faction", meaning his attitudes drift in whatever direction seems most politically appropriate.

A Chinese journalist said recently that Mr Jiang wants to be "all things to all factions", wavering between association with party conservatives on one hand and reformists on the other.

More kindly, he might be described as a consensus politician.

It is not yet clear whether this will be enough for him to continue to drive forward China's reforms. He has some way to go to convince those who doubt his leadership skills.

But Mr Jiang has been exceeding expectations for much of his career. There is no compelling reason to believe he will falter now, as he emerges from the shadow cast by Deng.

China's new leader - in official propaganda he is referred to as the "core" of a collective leadership - boasts some interesting firsts. He is China's first university-educated ruler since the revolution, the first English-speaker - although his fluency is said to be over-rated - and the first who is known to recite slabs of the Gettysburg address in English.

An electrical engineer by profession, Mr Jiang is a graduate of Shanghai's Jiaotong university, one of China's leading technical institutions. He spent two decades in industry, including a stint in a soap factory.

His break into politics came in the early 1970s, when he was brought to Beijing to work in the central bureaucracy. Here he made valuable contacts among the higher echelons of the Communist party.

This ability to cultivate

necessarily cause for comfort, now that he has died. The relationship recalls the elevation of the hapless Hu Guofeng to party leadership when Mao Zedong died in 1976. Mr Hu did not survive long after his patron's death, being ousted by Deng.

Mr Jiang's biography suggests a relatively uneventful career, in marked contrast to the tumultuous experiences of Mr Deng's generation, although his family paid a heavy price for its association with the revolution.

His father, Jiang Shangqiang, an early member of the Communist party, died at the hands of the nationalists.

This satisfactory "class background", with an ability to move with the tide, probably explains why Mr Jiang did not suffer badly during the Cultural Revolution of 1966 to 1976, when many Communist leaders, including Deng, were purged.

It was Deng Xiaoping who

championed Mr Jiang's promotion in 1989 to general secretary of the Communist party and insisted that he be referred to as the "core" of a collective leadership. Mr Jiang was not even a member of the standing committee of the politburo - the usual springboard to senior positions - when he was appointed general-secretary.

Deng nurtured him politically during the difficult transition to high office in Beijing.

Deng's patronage is not



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Deng nurtured him politically

regularly

visitor

in 1980s

# D-Mark firm

## MARKETS REPORT

By Wolfgang Münchau

Foreign exchange markets ended on a relatively quiet note after a hectic trading week, which saw frequent fluctuations in the exchange rates for the D-Mark and the lira.

The US dollar ended 0.6 pfennigs lower at DM1.6631. Against the yen, the dollar fell by Y1.265 to Y122.810. The Japanese yen, which rose above 0.5 per cent at mid-week slipped back below this level, while the Bank of Japan maintained a neutral stance in the money markets.

The pound closed 0.2 pfennigs higher against the D-Mark at DM2.7252. Against the dollar, the pound was up by 0.7 cents at \$1.6192.

The D-Mark hung on to its increases from Thursday, which reflected mild hopes that the worst for the German economy was now over.

had gone far enough. Yesterday Chancellor Helmut Kohl himself gave a rare statement about the D-Mark trading levels when he declared: "it is good to note that the D-Mark has been fully corrected against the dollar in the last year". The concerted attempts by German officials to talk up the D-Mark reflects concern about imported inflation, especially so close ahead of monetary union.

Meanwhile, Mr Ernst Welteke, president of the Hesse

state central bank said that Germany could adopt the single currency even if it breached the Maastricht budget deficit ceiling of 3 per cent.

■ **Emu has been one of the key issues in foreign exchange markets in the last few days. Yesterday's decision by Eurostat, the EU's statistical office, to rule Italy's Eurotax as competitive with the Maastricht spirit gave a predictable boost to the Italian currency.**

as Italy now looks marginally more likely to be among the first group of nations to join the single currency. The government hopes to raise new revenues of £12,000m (£2.1bn), around 0.6 per cent of gross domestic product.

Eurostat's decision only affected a small portion of the proposed revenues. The wildly fluctuating perception of Italy's chances of meeting the criteria is now the key factor behind the fluctuations in the lira. After a few days of weakness the Italian Emu change again.

## POUND SPOT FORWARD AGAINST THE POUND

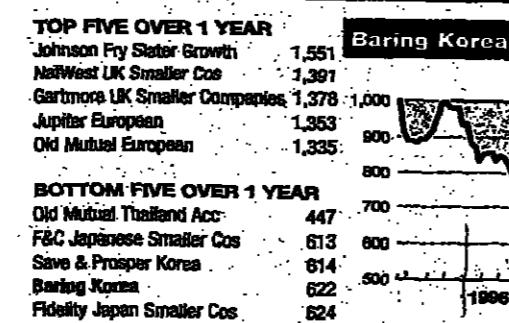
	Feb 21	Closing mid-point	Change on day	Bid/offer	Day's mid-high	Day's mid-low	One month	One month	Three months	One year	Bank of England's
				spread			Rate	%/PA	Rate	Rate	Rate
Europe											
Austria	(Sfr)	19.1718	+0.0178	705 - 880	19.0425	19.1128	19.1838	2.7	19.0783	2.1	193.7
Belgium	(Bfr)	55.2483	+0.0034	047 - 053	55.0720	55.0103	55.1243	2.7	55.0893	2.8	103.7
Denmark	(DKr)	10.4036	+0.0141	97 - 107	10.4342	10.3555	10.3837	2.3	10.3431	2.3	103.6
Finland	(Fim)	8.1552	+0.0224	494 - 610	8.1620	8.1040	8.1620	2.7	8.1341	2.8	83.1
France	(FrF)	9.2025	+0.0059	983 - 987	9.2540	9.1620	9.1817	2.8	9.1401	2.8	106.4
Germany	(DM)	2.7252	+0.0026	240 - 263	2.7347	2.7137	2.7187	2.9	2.7054	2.9	2.6406
Greece	(Dr)	426.494	-0.054	287 - 307	424.445	428.270	426.494	0.4	426.228	0.5	102.6
Iceland	(Isk)	1.7000	-0.0001	151 - 152	1.6998	1.6997	1.7000	0.4	1.6998	0.4	102.6
Italy	(Lir)	2.92258	-0.25	151 - 420	2.92237	2.92116	2.92268	1.1	2.92114	1.4	2.767
Luxembourg	(Lfr)	54.2493	+0.0033	047 - 053	54.5720	54.0124	54.1243	2.7	54.5693	2.8	103.6
Netherlands	(Nik)	3.0324	+0.0047	613 - 634	3.0316	3.0473	3.0564	3.1	3.0391	3.0	103.4
Norway	(Nok)	10.6758	-0.0785	686 - 693	10.9451	10.8863	10.9451	1.4	10.9423	1.3	102.8
Portugal	(Es)	273.553	-0.156	512 - 793	274.550	272.853	273.848	0.9	274.210	0.8	94.7
Spain	(Pta)	231.101	+0.045	700 - 725	231.410	229.700	231.101	0.9	230.891	1.1	78.2
Sweden	(Sk)	11.7000	+0.0001	611 - 614	11.7000	11.6998	11.7000	0.1	11.6998	0.2	102.8
Switzerland	(Sfr)	2.7278	+0.0142	725 - 726	2.7260	2.7271	2.7265	4.1	2.7265	4.0	102.0
UK	(P)	-	-	-	-	-	-	-	-	-	97.4
Ecu	(Ecu)	-1.0403	+0.0011	029 - 056	1.0409	1.0405	1.0404	1.7	1.0398	1.8	1.3765
SDR	(1.747616)	-	-	-	-	-	-	-	-	-	-
Americas											
Argentina	(Peso)	1.9184	+0.0072	180 - 187	1.9210	1.9168	1.9184	-	1.9184	-	103.5
Brazil	(Rbr)	1.7000	+0.0007	044 - 044	1.7023	1.6991	1.7000	-	1.7000	-	103.5
Canada	(Cdn)	2.2051	+0.0158	049 - 052	2.2059	2.2058	2.1999	2.8	2.1891	2.9	85.4
Mexico	(Mex)	12.5530	+0.0078	522 - 523	12.5593	12.5071	12.5593	-	12.5463	-	103.5
USA	(Usd)	1.6182	+0.0078	188 - 195	1.6213	1.6105	1.6182	0.7	1.6161	0.8	1.6066
Pacific/Middle East/Africa											
Australia	(A\$)	0.0008	-0.0089	787 - 819	0.0027	0.0075	0.0021	-0.7	0.0022	-0.4	2.0821
Hong Kong	(Hk\$)	12.5371	+0.0041	336 - 345	12.5298	12.4704	12.5288	0.7	12.5114	0.7	103.7
India	(Rs)	58.0000	+0.0103	345 - 361	58.0000	57.8010	58.0000	-	58.0000	-	103.5
Ireland	(Irl)	3.4461	+0.0001	510 - 511	3.4461	3.4460	3.4461	-	3.4461	-	103.5
Japan	(Y)	108.848	-0.525	756 - 768	109.170	107.470	107.916	5.6	108.063	5.6	122.9
Malaysia	(M)	4.0123	+0.0072	106 - 138	4.0193	4.0024	4.0123	-	4.0123	-	103.5
New Zealand	(Nz\$)	2.3206	+0.0062	288 - 322	2.3235	2.3158	2.3233	-3.5	2.3246	-2.8	2.3876
Philippines	(Peso)	42.6255	+0.0082	986 - 981	42.6911	42.6068	42.6255	-	42.6255	-	115.5
Saudi Arabia	(Sd)	6.0727	+0.0026	710 - 743	6.0800	6.0436	6.0727	-	6.0727	-	103.5
Singapore	(S\$)	2.2026	+0.0091	047 - 048	2.2026	2.2026	2.2026	-	2.2026	-	103.5
South Africa	(Rsa)	1.7076	+0.0001	510 - 511	1.7076	1.7075	1.7076	-	1.7076	-	103.5
South Korea	(Won)	1387.61	+0.85	407 - 411	1381.15	1380.26	1387.61	-	1387.61	-	103.5
Taiwan	(Twd)	44.8886	+0.1817	465 - 466	44.7403	44.4047	44.8886	-	44.8886	-	103.5
Thailand	(Baht)	42.0008	+0.1845	674 - 341	42.7600	41.7800	42.0008	-	42.0008	-	103.5
UK	(P)	-	-	-	-	-	-	-	-	-	-
Denmark, French Franc, Norwegian Krone, and Swedish Krone per 10, Belgian Franc, Yen, Escudo, Lira and Peseta per 100.											

## CROSS RATES AND DERIVATIVES

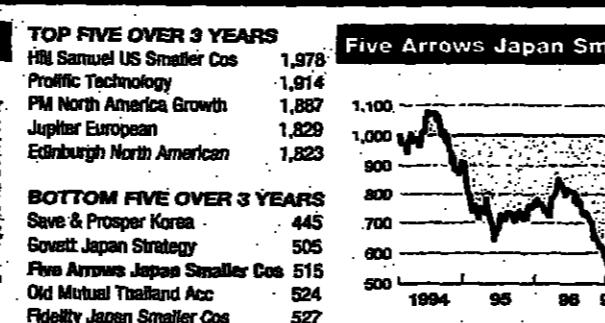
EXCHANGE CROSS RATES											
Feb 21	Bfr	Dkr	Ffr	DM	Ec	L	Fl	Nkr	Es	Pta	Sk
Belgium	(Bfr)	100	18.48	16.38	1.844	1.826	1.786	5.444	19.22	410.8	2.28
Denmark	(DKr)	54.09	10	18.49	2.920	0.988	2.598	2.944	22.2	4.228	2.496
France	(FrF)	61.12	11.30	1.91	1.118	2.973	3.327	11.81	26.73	251.1	1.90
Germany	(DM)	20.54	3.817	3.377	1	0.377	0.987	8.124	1.924	84.0	0.871
Ireland	(I)	12.47	10.13	8.95	2.653	1.20	0.584	22.05	2.11	2.312	0.742
Italy	(I)	2.030	0.385	0.342	0.101	0.038	0.100	0.114	0.405	0.585	0.045
Netherlands	(Nik)	18.32	4.000	3.638	0.944	0.444					

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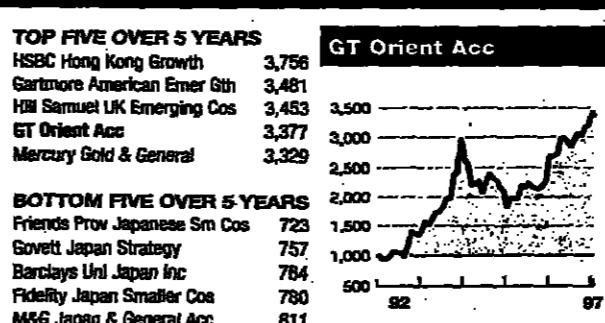
## WINNERS AND LOSERS



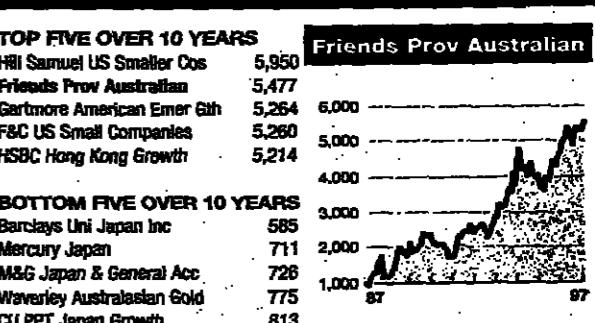
Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.



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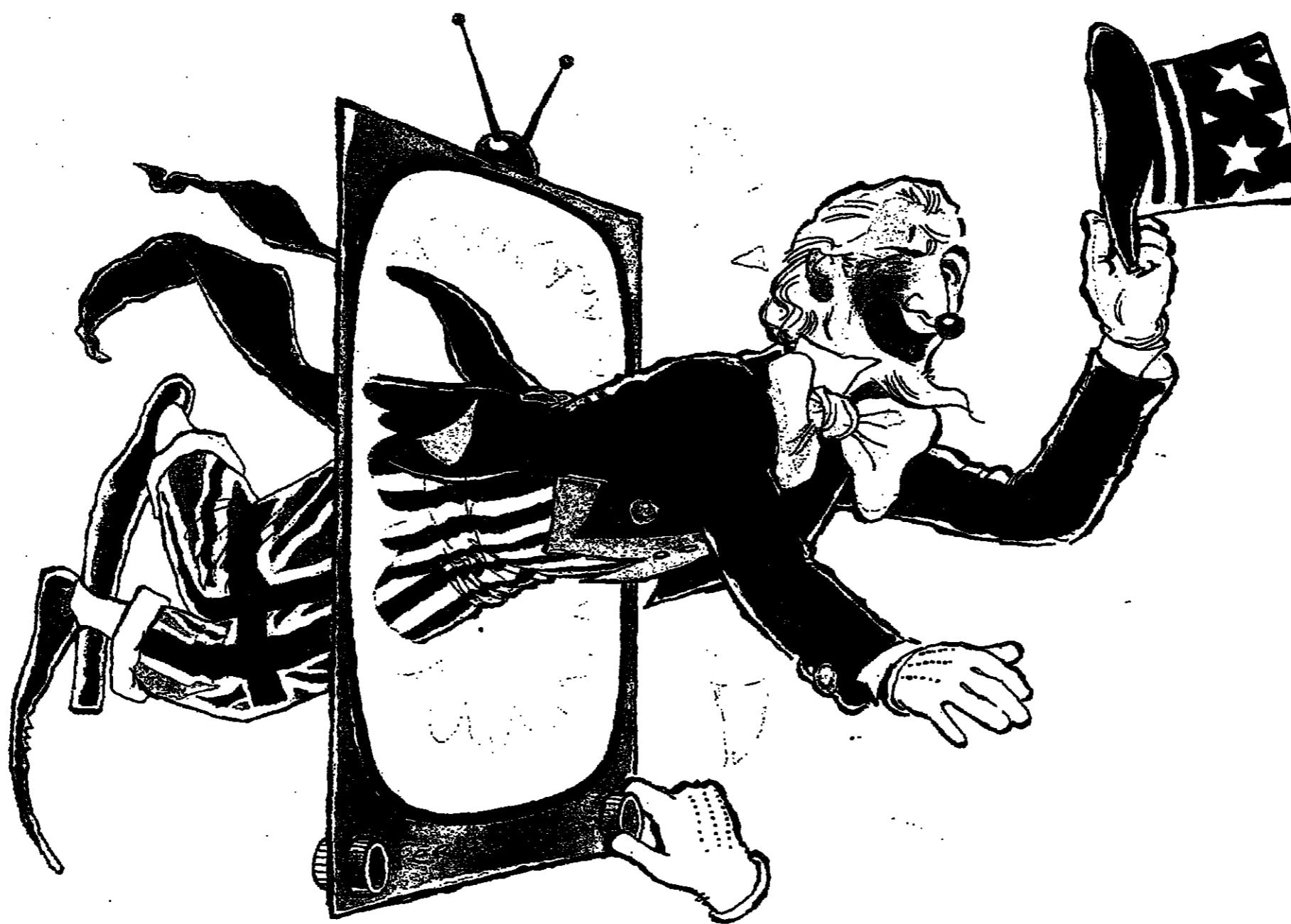


Source: HSW (01625 511311)

Indices											
Average Unit Trust	1043	1141	1819	2391	33	2.6					
Average Investment Trust	1159	1193	2148	2264	4.8	4.8					
Bank	1032	1112	1220	1220	0	0	4.3				
Building Society	1031	1113	1225	1274	0.0	0.0	4.3				
Stockmarket FTSE All-Shares	1195	1380	2057	3065	3.1	3.5					
Inflation	1028	1082	1139	1138	0.4	0.4					
UK Eq & Bd											
1 year (3)	3	5	10	Volatility Ytd%							
BWB Balanced Portfolio	1128	1400	2220	-	3.3	1.2					
Perpetual High Income	1120	1317	2278	-	2.8	3.5					
Credit Suisse High Income Port	1083	1297	2221	-	2.9	4.1					
NPI Extra Income Cos	1111	1272	1869	2314	2.7	3.6					
Canfis Income Dis	1071	1213	1943	2523	2.8	3.3					
SECTOR AVERAGE											
1067	1213	1943	2523	2.8	3.3						
UK Growth											
1 year (3)	3	5	10	Volatility Ytd%							
Johnson Fry Smaller Growth	1551	1724	2484	-	3.9	0.6					
Jupiter UK Growth	1189	1845	2858	-	3.4	1.8					
Credit Suisse Fellowship Inc	1134	1495	2078	-	3.3	1.1					
Perpetual UK Exempt	1151	1479	2784	-	3.0	4.7					
Samco UK Growth	1121	1461	2082	-	3.3	1.8					
SECTOR AVERAGE											
1121	1221	1912	2386	-	3.2	1.8					
UK Smaller Companies											
Gartmore UK Smaller Companies	1710	1226	2268	2784	3.5	0.3					
Laurence Keen Smaller Cos	1237	1698	-	-	3.2	1.1					
AES Smaller Companies	1212	1542	2375	-	3.2	0.9					
INVESSCO UK Smaller Companies	1551	2587	2563	4.1	1.1	1.1					
Schroder Smaller Companies Inc	1503	1522	2434	2642	3.2	0.7					
SECTOR AVERAGE											
1137	1233	2040	2394	3.1	1.4						
UK Equity Income											
Jupiter Income	1198	1627	3246	-	3.1	4.3					
Fidelity Select Income	1201	1388	2075	2705	3.2	3.5					
Prolific UK Blue Chip	1157	1372	2075	-	3.3	2.9				</td	



# Weekend FT



**A**merican television is returning British culture. For decades, that very special brand of TV reviewer known as the media academic has presumed that all things bright and intelligent on US television sprang from a British invasion of ingenuity in the late 1960s.

Now, British viewers are consuming huge slabs of US comedy, end-to-end sitcoms that have otherwise well-educated, thoughtful individuals cracking corner-of-the-mouth jokes with origins in the Manhattan loft or the dysfunctional, cleverly distasteful American family home. Where are the Brits with wit?

Just before Christmas, *Radio Times*, Britain's biggest listings magazine, announced 'BBC TV interrupts its normal service to bring you THE SIMPSONS' with Homer and his family monopolising the cover. Now BBC1 starts its Saturday evening audience build with *The Simpsons* and their animated animus.

Channel 4 has taken to screening its fashionable American series in bunches - a critical mass of comedy: last night *Spin City* followed by *Roseanne*, and on Wednesdays *ER* followed by *Friends* followed by *Cheers*. The youth section of the British cognoscenti, traditionally so scathing about American television ("We send them *Monty Python* and *Family Towers* and what do they send us? Mr Ed, The *Beverly Hillbillies* and *The Brady Bunch*") cannot get enough of this sharp American stuff.

Having lapped up *National Exposure*, *The X-Files* and *Murder One*, Britain's young project managers, fashion buyers, software designers and law graduates have moved on to *Dark Skies*, *Frasier*, *Seinfeld* and *Third Rock From The Sun*, in which aliens attempt good citizenship on Earth.

Viewers chat about their favourites on the Internet, giggle again at one liners, and aspire to the life-style. Talk to American academics and it becomes clear that this reversal may not be sheer chance. With the expansion of higher education in the US driving demand, and writing at the top end of the business becoming more sophisticated, it could be that American television is beginning the diversification to satisfy the hyper-choice offered by dozens of digitised channels.

What is interesting, and perhaps ominous for the British, is that the UK industry is producing so little material which can compete for the attention of these interesting sitcom conversationalists.

There have been only 20 episodes of *Absolutely Fabulous*, the parody of London's high-fashion set, and some commentators, this one included, feel that *Men Behaving Bodily*, despite all the laurels heaped upon it and its renaissance yobs, are not new wave at all. The noise it has created sounds less like in-comin' surf and more a latte-day version of the "melancholy, long withdrawing roar" heard by Matthew Arnold on Dover Beach.

*Drop the Dead Donkey*, the TV newsroom take-off, does manage to sustain an ensemble strength and a gag density ratio to match the

## If it's witty, it must be American

The British gave sitcoms to the world. But US comedies have usurped their old-world ancestors and are hitting new highs of sophistication. Christopher Dunkley reports

cross-Atlantic competition. But when American magazines celebrate the re-birth of "swinging" Britain, that clearly has more to do with street fashion, Britpop music trends and a revival of Olde England cooking than with television scripts.

Yet television was in the vanguard of that first "swinging" revolution in the 1960s. It was two ground-breaking British series from the BBC which, by common consent, transformed American television. Galton and Simpson's series about rag-and-bone men, *Steptoe And Son*, became *Sanford And Son*, with the colour of the protagonists changed from white to black, and Johnny Speight's *Till Death Us Do Part* became *All In The Family*.

In the switch between British and American versions, the appallingly bigoted yet ultimately lovable working class right-winger, Alf Garnett, became the bigoted but wise-cracking blue collar worker, Archie Bunker. What stayed the same was the immense popularity with viewers who had not seen such politically incorrect material on television before.

According to Tim Brooks and Earle Marsh in their *Complete Directory To Prime Time Network TV Shows*, one of the most valuable reference books about television ever published, *All In The Family* "ranked number one [in the US] among all series for five years, the longest time on top for any series in television history".

The immediate consequence was a string of "format deals" in which British comedy series were re-made with American casts and more or less subtle changes to suit American mores - one of the most successful being Thames Television's *Man About The House* which became *Three's Company*.

Don Taffner, whose company D.L. Taffner was responsible for that deal and others, points out two important differences between the British and American approach: "The British tradition is for an entire comedy series to be written either by a single writer or by a team of two." Johnnie Morimer and Brian Cook wrote all 39 episodes of *Man About The House*, for example.

"But American networks require many more episodes, and they frequently don't tell you until late in the day that they want, say, 22 over the next 30 weeks. So you have to use team writing for an American series, and that can have a major effect on the style of the programme".

*Three's Company* continued for 222 episodes and, says Taffner, grossed \$700m in network and syndication fees. There are even more extreme examples: *M\*A\*S\*H* ran to 251 episodes, and many American comedies have employed scores of

persons) and a new wave of shows dealing with issues television had scarcely ever touched before: interfaith marriage (*Bridget Loves Bernie*), anti-war sentiment (*M\*A\*S\*H*), life at the bottom of the economic ladder (*Good Times*, *Chico And The Man*), Maude had an abortion, and Edith Bunker was attacked by a rapist - comedy had never been like this before!

According to this thesis the origins of virtually the entire range of socially aware television fiction in the US today - drama as well as comedy - can be traced back to that Anglo-American base in the 1970s.

But if it all began with the BBC, why, in 1997, are fashionable Britons devoting so much attention to American comedies?

Barry Took, whose script writing credits stretch from *Round The Horn* on BBC radio to *Rowan And Martin's Laugh In* on American television, is clear if unhappy about the reasons: "There was an atmosphere of freedom and enterprise in British television in the 1960s and 1970s. Today, many of the people running the UK industry don't know much about programmes, they dread making mistakes, so - where ITV is concerned, for instance - they don't make anything. Not in the way of proper comedy, anyway."

Jay Parini, Professor of English at Middlebury College, Vermont, reckons the supply of more intelligent American material is emerging to meet a demand: "What you're seeing is a great belatedness of television developing to serve an expanding population of second-generation people with college educations. This is a vast new middle class which is looking for new and more sophisticated forms of humour."

"I hate television, but even I find myself drawn to *Seinfeld* and *Friends*: they are so much better written than television shows used to be."

Another American professor of literature, Elaine Showalter at Princeton, who also writes about television, sees significance in the development of technique: "American television comedy is now being constructed differently. You're getting spill-over from

drama. The cast develops over time. You see it in *Friends*, for example. It's not just their haircuts that change, it's their characters. In the past that didn't happen in comedy."

Where *Lucy* and *Bilko*, the two monster American hits of 1950s comedy, were the same week after week (that was the very attraction), today's comedy characters exert the sort of pull on the viewer that occurred previously only with the most powerful sort of drama serial.

But virtually every new British effort today seems, astonishingly, to involve abandoning the industry's greatest strength: its writers. The new shows turn instead to the comedians themselves, to die-jockeys, presenters, sportmen, and women who specialise in being *Womans*, to provide "new" comedy.

So much of the effort which British television would once have put into *Stepney And Son* and *Till Death Us Do Part* now goes into *Fantasy League Football* (studio, couch-bound chat, jokes, and musical interludes devoted to soccer) to *Never Mind The Buzzcocks* (studio bound chat, jokes and musical interludes devoted to old pop music) to *The Mrs Merton Show* (studio bound chat, jokes and musical interludes devoted to minor TV celebrities) and a host of other instantly forgettable series.

The chief attraction to the networks appears to be that the couch comedy can be made quickly, cheaply, and without a fraction of the offence which was caused by the ground-breaking sitcoms.

It is well to keep matters in proportion, of course. Dick Fiddy points out that while the sophisticated American comedies may have a high profile thanks to the type of viewer they attract, their audiences are of only between 2m and 4m, whereas a repeat of a six-year-old episode of *Only Fools And Horses*, the dodgy market-trader series, achieves 10m.

And Professor Jane Feuer of Pittsburgh University, co-author of *MTM: Quality Television*, says that while she was among the early champions of American sitcom, and agrees that there has been an increase in sophistication in the American output, it is still inconceivable that an American network would carry anything as sexually outspoken as *Absolutely Fabulous*. She also asserts that US television is currently going through its worst season ever.

Yet the trend is unmistakable. While television at one extreme is dumbing down to levels of inanity previously unseen even on American screens, at the other extreme we are beginning to find a rapid increase in the production of the sort of urban and witty material long regarded by the British as their special strength.

It is the Americans who are busier at both extremes, so if the endlessly hyped digital multiplicity of the new millennium does become a reality, it is the American television industry which will be best placed to supply its demands. British television, meanwhile, seems to be marching backwards, away from the frontiers, into Bronteland, all bustles, breeches and broughams.

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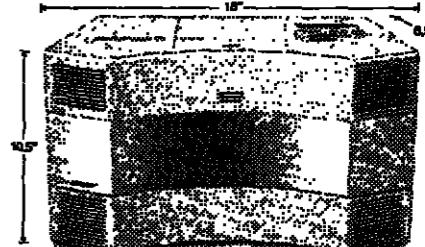
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## PERSPECTIVES

The Nature of Things

# Look who's talking in a foreign tongue

Ambiguities baffle computers, says Andrew Derrington

Computer translation is famous for generating embarrassing errors. An early system produced "The vodka is good but the meat is rotten" from the sentence "The spirit is willing but the flesh is weak", by translating it from English into Russian and back. Howlers such as this haunt modern computational linguists who use linguistic theories to design computer programs for producing and analysing language either alone or with human assistance.

One of the difficulties in computer translation, says Donia Scott, a computational linguist who is head of the Information Technology Research Institute (ITRI) at Brighton University, is that of ambiguity. "A document to be translated is a representation of information that must be expressed in the second language," Scott says. Not only can the same piece of information be expressed in many different ways in either language, frequently the same sentence can have several different meanings.

In spite of this, modern machine translation systems can be very reliable. At least one multinational computer and electronics company uses computers to translate its instruction manu-

als into foreign languages. The ambiguity problem is solved by writing the documents in controlled languages - a subset of the original language which contains no ambiguities. A sentence in a controlled language can only have one meaning so it can be translated directly into a foreign controlled language without errors.

However, producing a high quality translation remains time-consuming and costly. Companies that need to produce manuals in many languages are turning to computational linguists for new ways to reduce the time spent on translation and still achieve good quality manuals in several languages.

More problems occur when manuals need to be modified. They are particularly acute in the aircraft industry. Aircraft have huge quantities of documentation. According to Phil Marchant of British Aerospace Defence at Warton in Lancashire, the bid to produce the replacement for the Nimrod maritime patrol aircraft weighed more than 3 tonnes.

Any modifications to an aircraft make it necessary to change the manuals. Sometimes the changes must be made decades after the manuals were written.

Finding all the parts of the manuals that need to be changed is a huge problem which British Aerospace Defence are trying to solve with "innovation and technology", says Marchant. They recently collaborated with the French company Dassault Aviation and Edinburgh University to produce a prototype system called Ghostwriter, which enables a computer to do a large part of the work of producing and modifying manuals.

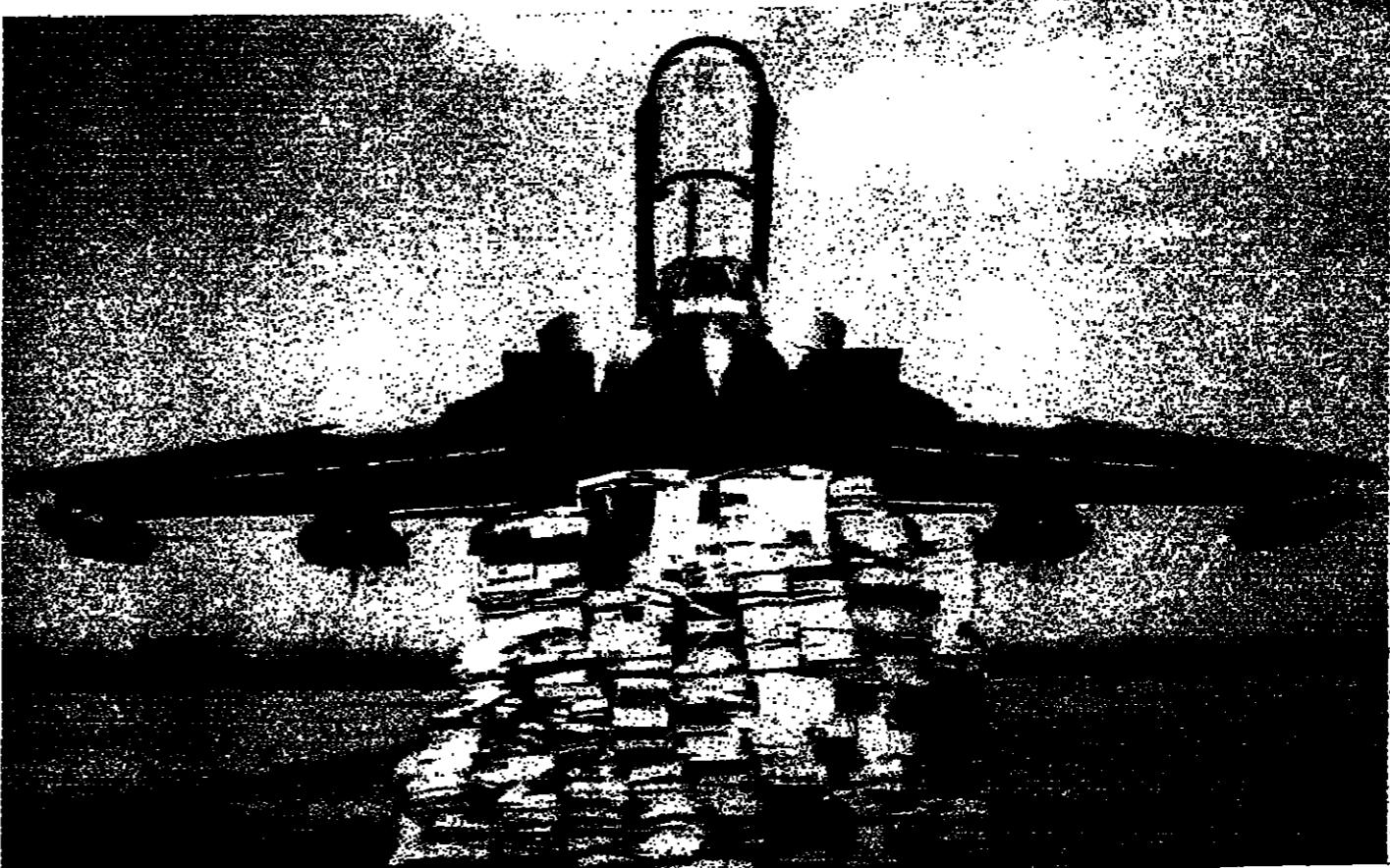
The same problem is being addressed at ITRI, who are collaborating with software companies and technical writers to produce Drafter which generates drafts of software user manuals in French and English.

Ghostwriter and Drafter consist of two main parts: a domain model, which represents all the technical information needed to service the aircraft; and a text generator, which translates the appropriate parts of the model into human language.

Different text generators are used to produce manuals in English and French. Ghostwriter and Drafter use well-established

techniques for representing data, because any change made to the domain model automatically causes changes in all the relevant manuals. New language versions can be produced easily by adding text generators.

The text generators in Ghostwriter and Drafter depend on analyses of large bodies of appropriate text to produce, among other things, a lexicon of the appropriate words and situations for their use. The same analyses can be applied to different bodies



Excess baggage: when the aircraft is modified, so must be the manuals in their many languages

groupings AB, C1, C2 and DE, and from 35 areas round the UK.

The men's top 10 words were grand (meaning 1,000), That bloke, against, a, fist, Da (as in Da di da), The, Jesus and Engine.

The women's list was she, her, cooking, shopping, lovely, kitchen, likes, apples, thought and made. *Vive la difference!*

■ The author is professor of psychology at the University of Nottingham.

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of language, sometimes with interesting results.

Adam Kilgarriff and Roger Evans of ITRI analysed the 5m words of conversation in the British National Corpus, a collection of spoken and written English gathered in the UK in the last few years. They looked for words that men use more than women and vice versa. The recorded conversations were made by volunteers drawn equally from different age groups, from social



Taking chances on the board: Martin Armitage-Smith has invested a lot of time and money in Snap Election

Colin Beale

## Minding Your Own Business

# Playing the game of politics

Anne Counsell on a venture with a little bit of sleaze and passion

**I**t is hard enough to plan the launch of a new business without the vagaries of politics. However, when the venture in question is a board game called Snap Election: the window of marketing opportunity comes around only once every four or five years.

Such was the difficulty facing Martin Armitage-Smith with his game. He invested \$40,000 of his own money in the project, plus many weekends, evenings and hours devising, planning and producing the game.

There was an ever-present danger that it would all come to nothing if prime minister John Major called an early election in the UK before the project was ready.

While political commentators could afford the luxury of speculating on the election date and punters could place a small bet on it, Armitage-Smith had much more at stake. He had put not just his time and personal savings into making the game ready before an election, but also his every hope.

And, just in time, it is ready and will be in the throes of full promotion before the general election.

Armitage-Smith has always had a keen interest in politics and for long enjoyed board games. Developing his own political board game, therefore, came quite naturally, starting as a hobby and progressing into a business venture when he realised its potential.

In many respects the development of his venture has mirrored the main components of good board games - timing, luck, strategy and avoiding the banana skins.

It was on the timing front that Armitage-Smith encountered his first main problem. The board game industry works on long lead times, with manufacturers planning well over two years ahead for a Christmas launch, the established springboard for promotion.

He began working on the project in October 1986. By normal schedules for board game launches, this would have made it ready just in time for the Christmas 1987

## Players can choose between the moral high ground or playing dirty

market - seven or eight months after the general election and its ideal launch date.

Armitage-Smith, therefore, decided to kick-start the process himself. Going it alone, however, meant drawing on his own savings, rather than gaining investment from manufacturers, and relying on the goodwill of family and friends to help devise the basis of the game.

Shortly after embarking on the venture, he experienced his first stroke of luck - he came across an article in the *Weekend FT's* *Minding Your Own Business* column about Drummond Park, a company manufacturing board games. This was the contact he needed - he had

the idea and Drummond Park had the manufacturing facilities and experience to make it a reality.

Armitage-Smith also utilised the talents of a friend, Tim O'Reilly, a PhD graduate in fine and graphic art, to help design the board while he himself worked out the complications and logistics of the game. The result is a fast-moving game. Pace is maintained by layers of complexity and hazards: the political wilderness, banana skins, sleaze, political time-bombs and, at the centre of it all, the media circus.

Snap Election also has a subliminal message - the brightest colour in the policy circles is that of the media circus, making a subtle statement that getting the right messages across is more important than sound policy.

Armitage-Smith says his main idea was to give the voting public a chance to be more than yapping observers, sifting through the newspapers and gazing at the television, throughout the general election campaign - players of his game could turn themselves into would-be MPs who have to garner votes from the board, which represents a constituency.

Snap Election, he says, offers voters the chance to become protagonists in the electoral procedure. But you have to take your chances, just like the real thing and sometimes the players have to face the option to take a sleaze card, which forces them to choose between the moral high ground or playing dirty.

"The detail is in the cards, so it could be adapted for different markets."

■ Martin Armitage-Smith, Prowler Productions Ltd, London, telephone 0171-402 8083.

the board game and it also became the thrust behind Armitage-Smith's marketing strategy. With a stall booked at the International Toy Fair held in London last month, Armitage-Smith came up with a ploy to catch retailers' attention - he and several others wore displayed bright pink "sleaze slogan" T-shirts based on the cards in the game, it worked. Several agreements with selected retailers are in negotiation and he has agreed a marketing and distribution deal with Politico's, a political book store, memorabilia outlet and coffee shop in London.

The interest generated at the toy fair enabled Armitage-Smith to increase his initial print run of the game from 1,250 to 2,000 units. However, due to development and start-up costs, the venture is still running at a loss.

If there is sufficient interest to warrant a second print run, Snap Election may start to break even in the summer, with the potential for generating profit in the traditional board game season at Christmas.

Convinced of the durability of the game, Armitage-Smith is thinking of adapting the game for Germany - the world's biggest board game market - and possibly the US. "The combinations are the hard work, and that's all done," he says.

"The detail is in the cards, so it could be adapted for different markets."

■ Martin Armitage-Smith, Prowler Productions Ltd, London, telephone 0171-402 8083.

## Gardening / Robin Lane Fox

# A holy trinity of spring chores



weeding easier as you can uproot or hoe the next crop of seedlings in its light, spongy blanket without digging deep into difficult soil. If you can do it, it is a god-

sent. Mulching is the great short-cut, but it needs management and not too shy an attitude to the bills.

The aim is to blanket a bare flowerbed with a layer of weed-free, rotted material which worms and bacteria will break down further and draw into the soil so as to improve it.

Meanwhile, the mulch helps to keep a clean border in a clean state. It makes

bought in bags from a local store. In fact, there are many possibilities: used mushroom compost is a favourite, but the bedding from deep-litter chickens is even better, as it is very rich in food.

Decomposed sludge and green waste is also a good option. The best way to attack this problem is to search the local Yellow Pages, ringing mushroom farms, chicken farms, green waste managers and forestry yards within convenient reach.

At this time of year, the villain to avoid is farm manure. You are highly unlikely to be offered fully rotted manure which is not teeming with weeds and grass-seed. Farmers will say that their manure is rotted, but it is almost certain to be still thick with straw.

Round trees, you can be more generous because you want to keep them in the rain which has now fallen and minimise water loss if we

**S**pring flowers are late this year but spring gardeners cannot afford to be late, too. Much is written about planting and designing new gardens, playing around with the colours of flowers and pruning. Less is written about how to control the garden once you have laid it out or bought it. And none of us wants to be prisoner to the ground, however much we enjoy it.

The next five weeks are critical in the management of a garden which is slightly too big for me. At least I know this hard experience from first-hand combat. There are dozens of jobs which could be done, including the spiking of all the lawns; a respected Oxford head gardener tells me each February that he is achieving effective penetration, but the students continue to run all over his penetrated fields. Meanwhile, I leave my own mediocre lawn as a last priority and turn to three fundamental jobs before the grass has to be cut.

The first has been trans-

formed by improvements in the chemicals on offer to amateur gardeners. It is now possible to fertilise the garden in one scatter, leaving the chemicals to release slowly throughout the forthcoming season. The older fertilisers are not entirely redundant, but I have gone over to the slow-release varieties which nurseries have been using quietly for some years. In large pots and containers, I opt for Osmocote, which can be hard to find. On the main flowerbeds, I use Vitax Q4 which is on more general release and is well proven.

If in doubt, go to your nearest agricultural store and general supplier. Mine is offering 25kg bags of Vitax at £26 each, four times its price for good old Growmore, but worth the investment as it will continue to release

itself throughout the main growing season and is sufficient to feed the border with out being used up in one rush.

There is no magic to its application. The surface of the flowerbeds should be thoroughly free of perennial weeds, as you do not wish to over-activate them too. Beds need to be lightly pricked over during the next few weeks with the tips of your fork. When they are clean, apply the Vitax and hope for a wet spring and summer which will encourage its proper action.

Opinions vary, but I prefer to have the Vitax on first by the third week in March and then to place a mulch on top of it when the spring rains have worked down into the soil and left moisture worth keeping in the bed beneath the mulch's protective blan-

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## PERSPECTIVES



Joe Rogaly

## From natural selection to artificial

Being born will become like getting into an elite university: you will have to be rated triple-A cum laude

**S**top worrying. The next generation, or the one after, will be perfect. Every baby born will live long and die happy. This can be guaranteed. Any deviation, any wobble in the charts, and he or she may be deformed, not allowed to emerge from test-tube or womb. Beating archangels in shiny nylon laboratory gloves will see to that.

They will read the genes, and weed out embryos whose predators foretell a miasma of temperament, homosexuality, a miserable end from a killer disease, one of a range of physical handicaps, or anything else likely to send the parents back to the antenatal services supplier for a refund.

I am only half-raving. You know as well as I that the above picture is not wholly fanciful.

We read last Sunday of how James Watson, who with Francis Crick discovered the human genetic code, had intimated that abortions might be permissible if it could be demonstrated that the fetus was genetically likely to be homosexual. Before gay readers protest that this is not possible, let me confess that I do not know. The mapping of DNA is the basis of the Human Genome Project, an exciting international endeavour to delineate the 200,000 or so genes in our bodies. The knowledge thus being accumulated is a future resource. Like the atom, it could blow us apart.

Insurance companies will continue to discriminate on the basis of genetic risk, although this week the Association of British Insurers said its 440 members

would not use test results for the next two years. It was careful to specify the limits of its self-imposed moratorium.

As genetic information becomes widely available, discrimination against carriers of adverse predictors is sure to increase. Employment, housing, medical care, eligibility for marriage, every area of life is likely to be affected. The choice facing prospective parents is easy to imagine. Being born will become like getting into an elite university: you will have to be rated triple-A cum laude. Superman will have been bred into us.

Some of us shudder, protest that such a future would be inhuman. Possibly so, but it is helpful to ask why. We have a folk-memory of the eugenics movement with which the pres-

ent century began. It was postulated that knowledge of genetics could improve the human stock. The leaders of the Third Reich promoted the theory, with grisly results. Master-race strategies are still taboo.

So we are encouraged to focus on the benevolent potential of genetic science. It may be that individuals inherit a predisposition to heart disease, stress, AIDS, cancer... the list grows longer. Perhaps patients who are thus diagnosed can be treated earlier, or with better drugs, or with advice on risk-avoidance strategies. So far, so good. The next item leaves me queasy. Prospective parents will be better able to decide whether to complete a pregnancy.

You see what I mean? Natural selection, which makes such

choices with ruthless efficiency, is to be enhanced by artificial selection, Darwin squared. We may be squishy computers, our souls reduced to a web of double helix patterns, but we are learning how best to replicate ourselves. The Nazis would have goose-stepped us directly to Hell. We are whistling as we tiptoe down the path of good intentions, destination unpredictable.

Good folk everywhere would like to know more about where we are likely to end up. On Thursday the Nuffield Council on Bioethics asked for our views to be sent to its working party on "Mental disorders and genetics: the ethical context". You can reach them at 28 Bedford Square, London WC1B 3EG, England.

The Nuffield inquiry starts

with the proposition that the search is on for genes that contribute to schizophrenia, depression, and other mental illnesses. It poses just about every question, including, "might individuals attempt to obtain compensation from their parents for allowing them to be born...?" You cannot sue for being unborn. We know that abortions are carried out for many reasons.

Chinese female infanticide pre-dates modern genetics.

If a propensity to such a mental disorder is spotted in the early teens, treatment can be tailored accordingly. That is helpful genetics. When the information relates to the yet-to-be-born doctors might well step aside. The prospective parents must take the decision. A priest, a mulah or a rabbi might help, but not everyone asks for such advice. So much for the wonders of modern science. The more we are told about the human condition, the less we understand. That is the flaw in our perfect future.



Father Barry Carpenter in Lincoln's Inn Fields: 'I have problems with evangelicals who come every so often and dish out soup to the sound of guitars and choruses'

Ken Oates

Lunch with the FT

## Priest in charge of a sobering mission

Clutching a supply of cigarettes, Father Barry Carpenter tells Nigel Spivey of his plans to dry out London's drunks

**T**hey clutter up the road. "Very nice, I think," said Father Barry. "Probably too smart for me to smoke in. D'you mind if we walk slowly, so I can get one in now?"

Leisurely progress down the street gave one full opportunity to take in its decrepititude. Barricaded liquor-stores, porno outlets; and a dubious massage parlour. "There's talk of gentrification of all this area," said my clerical chaperon. "Trains arriving from the Continent at a new terminal and all that. Can't have new visitors walking straight into the arms of the pimps and the pushers."

**'The police know as well as I do that these people need treatment, not locking in a cell'**

The sight (and smell, he adds) of it prompted an immediate solicitation of Cardinal Hume, the leader of Roman Catholics in England, who delegated him to take on this special mission. But "mission" is inaccurate. Mindful of the accusations of covert proselytising levelled at Mother Teresa in Calcutta, I asked Father Barry how far he sought to deliver the word.

"Not at all. Not a bit. That's not what's wanted here. I have problems with evangelicals who come every so often and dish out soup to the sound of guitars and choruses. It isn't a field of recruitment. And if you would lose all respect if you treated it so."

But is it right for the Church to pick up this problem?

"Why not? Historically

they know as well as I do that these people need treatment, not locking in a cell overnight."

Will we ever get to the cause of it, though? Will we have these drop-outs with us always?

We had arrived late at this restaurant. Not originally crowded, it now hosted only ourselves. The two waitresses sat down at another table to discuss their sex lives. Father Barry looked around, and asked for grace to smoke. Do, I said.

"Of course homelessness is a direct cause. How would you try to keep warm on a cold night with no roof over your head? Drink feels like insulation, even if it isn't. And there are economic factors, too."

I saw the recession arriving in Lincoln's Inn Fields: people who had casual work in restaurants and so on being laid off, and then dipping into this spiral of despair. But many of these people have brains, and moments of clarity. They only need to cut their dependence on drink to get back into a decent life.

"That's why I want this detoxification centre built. There's got to be something instead of moving the problem around - which is all that this so-called 'zero tolerance' does. A society which doesn't look after its weakest members - which prefers to let them die - is rather sick, isn't it?"

He lowered his voice over the pasta. "Now," he said, "the Camden lefites won't like to hear this. And I know there have been one or two horror stories. But I've seen a lot of gentle and considerate treatment from the police."

"One day," he smiled. "But I'd give myself a right rollicking if I didn't get this finished first."

**'The appeal for the Inner London Detoxification Centre can be contacted on 0171-388 5232'**



\* Based on 2 people sharing a double room

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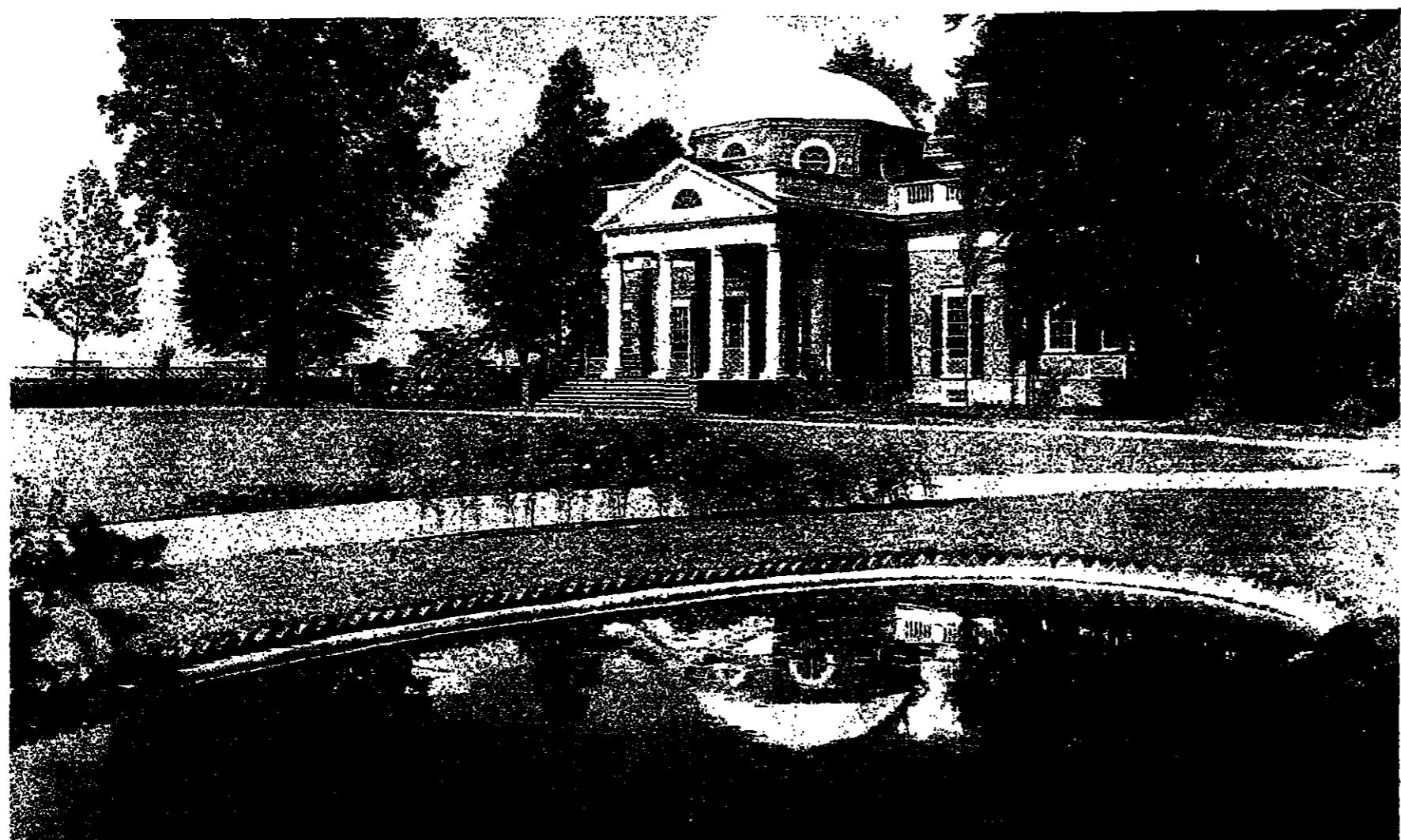
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## PERSPECTIVES



Simple, classical, rational: Monticello, the house featured on the back of the nickel

## The president gardener

Justin Cartwright says you can learn a lot about Thomas Jefferson from his house and garden

**F**ounding Father Thomas Jefferson lived so full a life that he continues to exert a powerful influence on the American psyche. What seems to be lost from patriotic view, however, is that he was an American version of the enlightened English 18th century gentleman. He helped to draft the Declaration of Independence, became the third president of the US, from 1801-1809, and tried to bring an end to slavery. But being a slave owner himself and a supporter of the French Revolution, his democratic and multi-cultural credentials have come in for particular scrutiny.

In search of the real Jefferson, I visited Monticello, in Albemarle County, Virginia, the great house he built on a mountain top over a period of 60 years. You can tell a lot from a man's garden.

Jefferson applied his energies to his garden and house with an enthusiasm that was not matched in his political career. Monticello is his *chef d'œuvre* which expressed his love of invention, classical form, landscape, rationality, good company, books, wine, horticulture - the life well considered and applied.

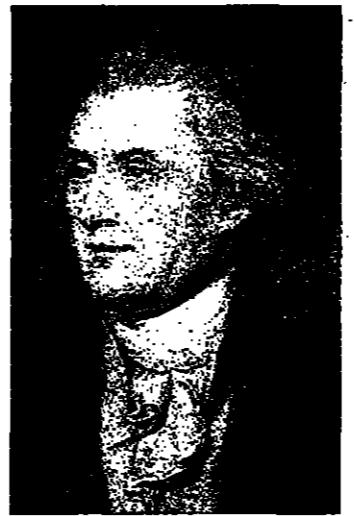
The west face of the house is featured on the back of the five cent piece, the nickel. And this view set off by a giant oval-shaped lawn, with its huge trees, some planted by Jefferson himself, is a picture of the kind of America that Jefferson envisaged: simple, classical, rational and free of monkish superstition and ignorance. This is still the sort of America that many Americans long for. Monticello is small compared to a grand English country house, and it has a rather endearingly homespun feel.

From the west lawn you do not see that there is a tunnel under the house which was used by the slaves. (At one time Jefferson had nearly 200.) It links the underground stables, kitchens and slave quarters, without disturbing the beauty of the hill-top site.

While Jefferson and his Virgin-



Thomas Jefferson chairing the committee that drafted the Declaration of Independence



C.W. Peale's portrait of Jefferson: a slave owner opposed to slavery

ian chums sat under the trees discussing science, architecture, horticulture and their annual race to produce English peas, the slaves were underground, fetching the wine, preparing meals, bringing in fruit from the orchards, and even, it is said, bearing his children.

There is not a single reference to Monticello in the index of *The Long Affair*, a book by Conor Cruise O'Brien, the Irish writer and politician. O'Brien contends that Jefferson is not a suitable hero for contemporary America because he was a slave owner, an advocate of the deportation of freed slaves, and an admirer of revolutionary violence ("the tree of liberty must be refreshed from time to time with the blood of patriots and tyrants. It is its natural manure").

How easy to sneer at Jefferson's hypocrisy. How easy to see the contradictions from the vantage point of the multi-cultural world. How easy to read into this a distortion of the political process, or a disregard of the exacted principles of the Declaration of Independence or the self-seeking of a land-owning cabal.

Jefferson did not place his political career very high on his CV. In the inscription on his tomb in the grounds of Monticello since 1975, when he started as a research assistant and there

is almost nothing he does not know about Jefferson the architect and man of science.

He is an architect, trained at the University of Virginia, and using Jefferson's notes and plans, aided by archaeological studies, has rebuilt the pavilion which looks east over the forest, and has drawn up the plans for most of the restoration of the grounds.

Hatch started work two years later, as superintendent of grounds, the first professional horticulturalist to be employed there. Hatch has studied Jefferson's Garden Book, his letters, and his Account Book which recorded his every transaction. Hatch now presides over a large substantial team of gardeners and students.

Drawing on all these sources, he and Biewsanger are trying to put Jefferson's plans into effect, sometimes without being certain if Jefferson actually achieved them. It seems Jefferson had too many ideas, and was often unsuccessful in implementing them.

The gardens, which Jefferson loved and where he grew hundreds of varieties of flowers, fruits, vines and trees, were in a constant state of change, blighted by the humid weather, thwarted by unsuitable plantings, and disrupted by Jefferson's restless

experimentation.

What Jefferson was trying to do, as Biewsanger and Hatch have shown, was to create a *ferme ornée*, a working but aesthetically pleasing farm, by "interspersing the articles of husbandry with the attributes of a garden".

In 1807, as his presidency was half way through its second term, Jefferson began planning a great burst of planting and landscaping. His letters show that he longed to get back to the soil. He wrote: "No occupation is so delightful to me as the culture of the earth, and no culture comparable to that of the garden."

Hatch is an expert on old plant types and has conducted extensive, and obviously enjoyable, research into the plants Jefferson founded and designed.

McMahon sent Jefferson thousands of plants, particularly newly imported or discovered varieties. Jefferson recorded his trials of lettuce, artichoke and red celery diligently.

Hatch has probably surpassed Jefferson in his recreation of the spectacular vegetable garden on a terrace; and he has managed to recreate the north-east and south-west vineyards using a form of espalier which Jefferson advocated.

Hatch's wine vintage has had a mixed reception, but his vines are at least surviving with the aid of modern techniques. Jefferson failed utterly in his stated objective of "making at home a good wine".

William Jefferson Clinton recently confused the Declaration of Independence with the Constitution, demonstrating that the red, white and blue flag, which has for so long enveloped the Founding Fathers, is still dense.

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Branded  
'wicked'  
Hugh Dickinson and  
the schoolgirls of Trujillo



Sketches of Spain: schoolgirls celebrate the festival of Trujillo

## Female designs for living

Jeremy Myerson on why the building site is a battle ground for the sexes

**A**nyone who has followed the shabby treatment meted out to Zaha Hadid, the thwarted competition-winning architect of the Cardiff Bay Opera House, will recognise just how tough it is for women architects to succeed. Architecture remains a ridiculously male-dominated profession and the building site a battle of the sexes. This is despite growing evidence suggesting that traditional male design preoccupations with power, control, intellect, systems and the machine are inadequate to respond to our fears about the future of our cities and the fragility of our environment.

It is bad enough in Britain

where only 10 per cent of registered architects are women, and the only female recipients of the RIBA Gold Medal - Ray Eames and Patricia Hopkins - were given their prestigious gongs for work in partnership with their husbands. But it is even worse in the US, as the editors of this new American anthology of feminist academic writing point out. Over there, the number of female architects is around 8 per cent, no woman has been given a nationally significant building commission, and women have little or no representation either as architectural critics or educational policy makers.

*The Sex of Architecture*

sets out to redress the gender balance. Its 24 essays are drawn from women in US universities and practices who want a radical rethink of the entire philosophy of architecture.

The thesis that eventually emerges says that the best answers to such diverse challenges as ageing populations, cultural diversity, ecological damage and information overload are feminist ones in which teamwork, shared knowledge and ethical standpoints replace the traditionally self-

ish pursuits of the solo virtuoso (male) designer.

Along the way, many received 'truths' are questioned: that man builds and woman inhabits; that man is connected with production and the city, and women with consumption and the home; that man is public and woman private; that nature is female and culture - 'the ultimate triumph over nature' - is male. As one writer puts it, 'Every one's first environment is a woman's'. A resonant theme of the

THE SEX OF ARCHITECTURE  
edited by Diana Agrest, Patricia Kanes and Leslie Kanes Weisman  
Harry N. Abrams \$19.95,  
320 pag es

book deals with the dichotomy in American popular culture, particularly movies, between the city as evil and the countryside (and later the suburbs) as good. Christine Boyer points out in an excellent study of the role of the femme fatale in *film noir*, how the city is a locus of alienation and depravity, a dangerous and transitory place of unexpected happenings and surprise endings, a land of used car lots and fleabag hotels...

Joan Ockman, meanwhile, contrasts the masculine image of the New York office block, Lever House, an icon of international style modernism designed by SOM in 1952, with Bernard Hoffman's 1948 photograph in *Life* magazine of Levittown, the embodiment of suburban domesticity. How, she asks, can two such contrasting strands coexist in postwar American architecture?

Part of the answer lies in the acceptance of the machine-age Euro-modernist aesthetic at work in public, this might begin to tell you.

## Hispanic digressions

Tom Burns enjoys a trip through Spain's rich network of hidden byways

**R**omantic writers rushed to Spain last century when it was a cut price and altogether whackier grand tour. They ached about the Alhambra (Washington Irving), lusted after loose-limbed Carmens (Theophile Gautier) and fretted about failing to encounter bandits (Hans Christian Andersen). Richard Ford's *Handbook for Travellers in Spain*, elegant, erudite and accurate, was the exception to the rule.

Better writing by foreigners about the country, its people and its culture, started this century with Walter Starkie and Rose Macaulay, and continued with V.S. Pritchett and Jan Morris. The best of this literary international brigade (Spaniards called them *curiosos impertinentes* 100 years ago) was Gerald Brenan, whose curiosity about his adopted country was always fuelled by an informed and engaging empathy.

Cees Nooteboom, an unconventional Dutchman, a linguist, poet and novelist, is

the hispanist that every Brenan aficionado has been waiting for. He has produced a book that will entirely satisfy those who have read everything that Don Geronimo wrote about Spain and wished he had written more.

As it was with Brenan, so it is with Nooteboom: Spain is "the love of a lifetime, the amazement is never ending".

**ROADS TO SANTIAGO**  
by Cees Nooteboom  
Harvill Press £18, 352 pages

Gracefully written, wry, wise, and exceptionally well illustrated, *Roads to Santiago* carries a clumsy subtitle - *Detours and riddles in the land and history of Spain*. It is difficult, however, to describe better what Nooteboom wants his public to share. His literary, artistic and historical digressions place his book alongside the very best in the travel writing genre.

The detours are well-worth following firstly because Spain possesses an extraordi-

narily rich network of hidden byways: "Beyond the Pyrenees lies an entire continent, mysterious, secluded, unknown, an ensemble of lands with their own histories, their own languages and traditions..." And secondly because there are very few travellers around like Nooteboom who possess the sort of maps that show such secret paths. Locked-up churches don't defeat him; he always finds the old woman or man in the village who keeps the keys.

In a "different and yet the same life" Nooteboom tells us, he went to a monastery in Achel, on the border with Belgium, kissed the abbot's ring and said he wanted to be a Trappist monk. The abbot handed him the life of Abelard - in Latin - a notepad and a pencil and said "Why don't you begin by translating this text and when you've finished it, we'll talk again."

He got as far as page 10 before he set off once more on his travels. The Achel community's loss was the intelligent reader's gain. The

failed Trappist, for example, knows how Zubaran, "doomed by circumstances" to paint whitefriars, blackfriars and greyfriars (they were his patrons and masters) did not actually paint monks. "He painted habits. He painted material."

Nooteboom's enthusiasm for riddles leads him to the hair-raising 8th century commentaries on St John's Apocalypse that were written by Visigoth clerics in the north of the country to combat heresies that were spreading further south in Moorish Spain. He uncovers the cramped hermitages that the clerics inhabited in the Cantabrian mountains and he traces the passage of the images they conjured up from illuminated manuscripts to the capitals of monastic cloisters.

Some detours/riddles are magnificently conveyed. In Aragon he tracks down a monastery where the two sides of the perfect Romanesque arch come together in the faintest imaginable angle, a dent so faint as to be almost invisible... an

upward thrust that is turned to stone in flight, motionless like a rocket photographed just after blast-off, when it hovers above the launching pad." Not for Nooteboom the hairsplitting debates about transitional buildings; in that arch he is witnessing the birth of Gothic art.

The book ends with

Some detours/riddles are magnificently conveyed. In Aragon he tracks down a monastery where the two sides of the perfect Romanesque arch come together in the faintest imaginable angle, a dent so faint as to be almost invisible... an

**T**he *Bride of Texas* belongs to the same world that Julian Green, the nonagenarian French-American novelist, writes about in his monumental family sagas of the American Civil War, *The Dictator's Lands* and *The Stars of the South*. Skvorecky, a Czech emigre to Canada, records the fortunes of a Union militia composed of Czechs, the Twenty-sixth Wisconsin Volunteers, which fought with Sherman's forces through Georgia and the Carolinas.

The novel holds itself together by a central thread spun from the love affairs of Lida Toussaint, "a cascade of gold setting off her cornflower eyes, serpent's eyes though they were," and of her brother Cyril who falls in love with a self-possessed, assured black woman who is nonetheless a slave.

The novel is written on the grand scale: it teems with characters, some historical, some fictitious. General Ambrose Burnside has his reputation rehabilitated, and numerous ordinary Czechs who went to America to avoid Hapsburg chaos in Europe are memorialised in Skvorecky's creation. At

**Fiction/Brian Martin**  
**Love, war and death by violence**

one time some of these Czech refugees advocated establishing their own community in the US: "Are you kidding?" A community of pure Czechs... the first thing they'd do is break into two separate communities." "Or three," said Stejskal. "Not much hope for the future EC there."

The myriad pattern of relationships and individual stories in the narrative, accommodated by every conceivable device, flashbacks, use of italics to indicate the past, the leapfrogging of indirect narration, gives *The Bride of Texas* epic proportions. Skvorecky takes as an epigraph Sterne's defense of his own writing

that his digressions are "all fair", and that although he "flies off", the "main business does not stand still" in his absence.

In Skvorecky's case affairs

THE BRIDE OF TEXAS  
by Josef Skvorecky  
Faber £16.99, 624 pages

THE MISSIONARY'S WIFE  
by Tim Jeal  
Little, Brown £15.99, 346 pages

are not so carefully "ordered": sometimes his writing is too diversionary, digressive, fragmentary, and there is a certain amount of narrative dislocation against the background of drenching South Carolina rain and blazing North Carolina turpentine forests.

Skvorecky reports the horrors of war which his characters have to endure, a negro soldier beheaded by a cannonball, General Polk cut in half by another, but Tim Jeal spares us no realistic ghastly detail of living, or rather dying, in Africa in the 1890's - massacres, murders, death by assegai thrust,

disembowelling, bullet or stinking gangrenous wound. Nor does he hide the hazards of everyday life in the wild - maddened rogue elephants, the stinging buffalo bean plant, hookworm and barababend worm, jiggers, all reminiscent of Graham Greene's African novels.

The missionary's wife, Clara Musson, is uprooted from her provincial English potteries town and taken to these alien surroundings of Rhodes's Africa. Clara's eventual lover, a Hussar captain, is told by her evangelical husband, "Mr Rhodes's company pays the War Office for your regiment to be here."

*The Missionary's Wife* is an exciting tale of high romance, war, adventure and the complexities of human relationships in exceptionally difficult circumstances. There are none of Sterne's digressions so much approved by Skvorecky: everything is straightforward, gripping, and chapters end on a climax. A thoroughly good story is well told in clear uncluttered style.

The novel finishes with an African equivalent of Custer's last stand, and a satisfactorily happy ending back in the old country where the missionary had originally proposed to Clara by "the sooty railings of the municipal Park" and "the gas lamps glowed like haloes in the evening fog". The 1890's atmosphere is further authenticated by Charlotte M. Yonge novels, Royal Academy exhibitions and Gunter's ices. All the necessities for a brilliantly successful screenplay lie within this text. I look forward to the film.

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## ARTS



A love-in-war sprawl from British playwright-filmmaker Anthony Minghella: Kristin Scott Thomas and Ralph Fiennes in 'The English Patient'

## Frontiers tested in Berlin

War films and political thrillers are thriving in the festival's melting pot, reports Nigel Andrews

**I**nterviewers are known to search Los Angeles in vain each February for the freshly announced Oscar nominees. "Where are they?", cries the beating the Bel-Air ticket. The answer is, they are mostly 7,000 miles away in Berlin.

The Golden Bear looks more like Uncle Oscar each year. In 1997 *The English Patient*, *The People Vs Larry Flynt* and *Marvin's Room*, accompanied by their VIPs, are but three of the films warming up here for Academy honours - if "warming up" is the right phrase in a Berlin that uses sleet and rain to drive international critics into cinemas. Here they encounter that other, indoor weather system known as translation facilities. The white carpet at the bottom of each frame is the layering of subtitles. The drizzle in your ears is the simultaneous translation.

We live in an age of dissolving frontiers when every other film is multi-lingual. A clever epic like *The English Patient*, receiving its European premiere in Berlin, takes advantage of this: it is about language and nationhood. Festooned with Oscar nods, this love-in-war sprawl from British playwright-filmmaker Anthony Minghella has an appealing romantic madness plus a less appealing length and repetitiveness.

When we are not reminded of *Lawrence Of Arabia*, by music sweeping over the wartime sand dunes where Anglo-Hungarian count Ralph Fiennes dispels with married English bombshell Kristin

Scott Thomas, we are reminded, or I was, of TV's *Ripping Yarns*.

Michael Ondatje's original novel had a poetic terseness. Minghella's \$25m adaptation adds layers of retro exoticism, from the Mughal supporting characters with their cut-glass accents to Fiennes' post-aircrash make-up, which resembles an early Hollywood werewolf. (In this film crashing your plane is a ritual as regular as afternoon tiffin.)

Though sitting with two people who hated the film, I intermittently liked it. At 2½ hours it is overlong and the message about the evils of nationalism is fully realised after about 10 minutes. But a film that achieves popularity by even feinting at thought and a serious theme, as opposed to fainting at them like *Twister* or *Independence Day*, is rare enough to come outside Costa-Gavras.

*Patient's* mixed cast, which includes French, Indian and American actors, reflects melting pot tendencies in movies worldwide. Frontier-testing war films and political thrillers thrived at Berlin. From Georgia came the tiny-budgeted but powerful *Graveyard Of Dreams*, a nightmare in black-and-white about conflict in the fragmenting ex-USSR. And in Gerardo Herrero's *Comanche Territory* three Spanish TV reporters cover the conflict in ex-Yugoslavia, where all human life is assembled in a blitzed Holiday Inn in Sarajevo. From here they sally forth to meet all human death, in the film's vivid film-on-site recreation of

wartime Bosnia.

Bruno Barreto's *Four Days In September* delves even more resourcefully into the lexicon of political disharmony. American ambassador Alan Arkin is kidnapped by Brazilian terrorists, whereupon the world holds its breath or dispenses it in tense monosyllables across the ether of international airwaves. Suspense and character are superbly built here, in an agit-thriller as intelligently exciting as any we have seen outside Costa-Gavras.

unless you chorale at bent policemen and beheaded poodles. Hong Kong-China's *The Song Sisters* is a tenuously realised epic about the siblings who married three of China's most powerful men, including Sun Yat-Sen and Chiang Kai-Shek. And Japan's *The Sleeping Man* is a film about, and largely for, come victims.

From Britain David Hare's film of Wallace Shawn's *The Designated Mourner* is brave but stagy: a three-hander for monologues (Mike Nichols, Miranda Richardson, David De Keyser), who sit at a desk streaming their consciousnesses into word-patterns that may fascinate in the theatre, where the verbal holds licensed sway, but rarely fatigues on screen.

For comparison look at the Finnish short film *Today*. Like Hare and Shawn, director Eija-Liisa Ahtila eschews linearity for a disjunctive mosaic of sounds and images. But it is a cinematic mosaic. A young girl's response to her mother's death in a car crash is imaged in visual fragments from the emotional front-line: a weeping father, a rearing shadow on the road, the rhythmic, post-traumatic comfort of a ball bounced against a wall. In this dazzling debut, the words are only a counterpoint to the richer reality of a pictorialised inner turmoil.

As at all film festivals, you could recognise quality cinema by the relief into which it was thrown by its opposite. Plastic Bear contendents have been legged. Kevin Allen's *Twin Town* would not recognise subtlety if it fell over it. A Swansong set black comedy short on comedy,

to Louis Farrakhan's "million man march" in Washington, is a lesser film than Tsai Ming-Liang's *The River*, a wonderfully weird Taiwanese fable about hope and despair.

Lee leads us down the yellow brick road towards a thumping sermon. Ming-Liang, who won Venice's Golden Lion for his last film *Long Live Love*, crafts an often baffling tale that mesmerises and haunts the memory.

A young man (Lee Kang-sheng) develops a near-crippling neck ailment soon after doing movie stunts as a floating corpse. This mysterious mishap cues and echoes the larger dysfunctionalities around him. Some are comic, like the roof-leak his dad tries to stop with some Heath Robinson repair-work. Some are cosmic, like the inability of humans to relate either to themselves - there are sex scenes of an almost Beckettian stoic bitterness - or to their universe.

Those who found this film inscrutably eastern could escape to cinemas showcasing the accessible west. Retrospectives of G.W. Pabst and Kim Novak have jostled with the riches of American narrative cinema, ranging from *Mars Attacks!* and *Larry Flynt* to such spicily low-budget street sagas as *Arresting Gena* (drugs and growing up), *All Over Me* (lesbianism and self-realisation) and *See It Off* (crime and black sisterhood). God bless America. Europe and the East may give us art. The US gives us life and yarnspinning, hot from the controversial headlines.

The Stephen Joseph Theatre in Scarborough, which received £149m from the lottery in the early days, expects to lose much of the £78,000 it receives from North Yorkshire.

In effect, the detailed plans that the theatres prepared for the Arts Council when applying for lottery money, plans which involved consistent funding from local authorities, are revealed as illusory. Titchy Francis at Oxford Playhouse, which received £2.5m from the lottery and re-opened in October, is particularly upset. She stands to lose 7 per cent of the theatre's income. This means cuts in outreach work and education, and an inevitable contraction in risk taking. The programming will be more populist and bland.

There is just one way out - to apply for more lottery money through the Arts-4-Everyone programme. Most applications were for musical activities, with a surprising number of choral societies seeking help - workshops from professionals, money for commissions, paying for stars to pep up their concerts. This was followed by drama groups who also wanted to buy new plays and expertise, followed by the visual arts - many schools want to cover their walls with murals.

Poetry societies were prominent, keen to pay for published poets to talk to them, and there was a good spread of multi media propositions. Surprisingly pop groups, who could have secured funding for CDs and recording time, were thin on the ground. But the mists are now open for applications for the second tranche of money so anyone keen to take part in the lottery, with a good chance of winning, should apply now.

### Concert

## Authentic Berlioz

**I**t is as well to be reminded from time to time that "authentic" musical performance practice is not limited to this side of the Channel. There are plenty of period ensembles in Europe that have caught up recently and some who would like to point out that they were

there at the beginning. Philippe Herreweghe, born in Ghent, belongs to the earlier group. In the late 1960s he came into contact with Nikolaus Harnoncourt and Gustav Leonhardt, which is about as good a pedigree as you can get in this movement.

Like most other "authentic" conductors, he then made his way forwards by founding his own choral and instrumental groups: the Collegium Vocale de Gent in 1968, La Chapelle Royale in 1977, and the Orchestre des Champs-Elysées in 1991.

Thus armed, he need have no fear of going into battle with Norrington or Gardiner or any of his other contemporaries, each with their own bands of followers behind them. Herreweghe, however, does not often elect to pitch camp over here. His concert at the Barbican on Monday was a relatively rare appearance in London, bringing together all three of the ensembles named above for a performance of Berlioz's *L'Enfance du Christ*.

In this brave new world of period performance, Berlioz has been fair game for a few years now, though most practitioners prefer to show off how strange and wild his big orchestral works can sound on their authentic instruments.

*L'Enfance du Christ* does not offer any opportunities like that. It is intentionally a

modest, understated piece and a conductor who went out of his way to make the music sound different would by definition traduce it.

Herreweghe's performance was properly unexceptional. His musicians gently showed the value of having period sounds, especially the bucolic winds. The combined choruses were free from blemish in their undemanding role (the purity of the soprano angels was particularly effective).

For his soloists, Herreweghe had brought with him singers whom we know mainly from early music and there was some blanched, "early" tone to be heard, mainly from the tenor Récitant, Paul Agnew.

The most striking aspect for British ears was hearing Berlioz sung by French-speaking singers. There is nothing to match the relish with which native speakers declaim their own language. Laurent Naouri's incisive Herod here being a gripping example. Véronique Gens and Olivier Lallouette were Marie and Joseph, supported by Frédéric Caton as the Père de Famille - an all-French trio, which is authentic itself in a way.

*Feedback* still gets letters on the disproportionate Americanisation of the BBC. And the BBC blunders on with the arrogance typified by those producers who slap

### Radio

## State of the US

us down on air. I had thought that architects were the modern equivalent of the medieval church, with its closed, fraternal ranks, esoteric mysteries and patronising assurance that it knew what was better for the people than the people did. But the electronic media, and the BBC with its infatuation, if now rickety, conviction of moral superiority, run architecture close.

On the credit side there was a new series (launched with a Canadian subject, in case the culture shock of a non-transatlantic accent was too much) called *Messages to Myself*. Last night's diarist, the first of five, was Eva Marsh diagnosed when young as having multiple sclerosis. Her scepticism about received truths, her brash empiricism as she observed and experimented on herself, her refusal to take anything, good or bad, for granted, made extraordinary listening. Readings by actress Shelley Thompson alternated with Marsh's own voice: practical, cool, level-headed, despite a second bout of the disease that had paralysed her from the neck down in middle age. This too had been overcome. She now has academic qualifications and a second marriage - the first had been cruelly terminated.

Rather surprisingly, the media can apparently still laugh at themselves. Radio 4's Thursday morning serial *In The Balance* is a comedy thriller that for once lives up to both parts of that definition. It treats of world cup football, politics and the BBC, and is rather funny. Mark Tavener writes, Paul Schlesinger produces, and a perfectly splendid cast is led by Michael Williams. It is even good enough to be complained of by paranoid politicians in an election year.

nated, though she bears no ill will, indeed maintains there is a purpose in everything. A remarkable woman initiating what should be a remarkable series.

The message emerging from all such programmes about "ordinary" people is that there is no such thing. The previous week had thrown up a charming tale of the "ordinary" to celebrate Valentine Day: *Autumn Leaves* chronicled the true-life 40-year love affair of two Hungarian teenagers separated by politics and geography, each settling in the west, marrying others, having families, and eventually marrying each other late in life. Ordinary in the sense that conventional drama was missing; but totally absorbing, as told by the protagonists themselves.

The individual figure seen against the awesome tapestry of great events: that is what radio is good at. I make an exception of Radio 4's *The University*, which makes the campus of Warwick sound like a purgatory of anorak, naff boredom.

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Martin Hoyle



### New Drawings

The Exhibition opens Wednesday 12th March - throughout March. Human feelings are the main theme to be explored in this year of our existence that art most readily appeals. Zsuzsa Robot's ability to portray feelings within her work is probably the reason for her recent popularity.

In this collection of Zsuzsa's latest drawings, the figures are sculpted-in. Pencil, ink and charcoal meet soft edges and textured application in spontaneous response to the human spirit she finds within her subjects.

There are fifty works available in this exhibition.

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## ARTS

**F**ew artists of comparable importance and personal success in their lifetime have fallen so completely into obscurity as Lovis Corinth. Here in England, beyond the interest of specialists, he is quite unknown - which makes the comprehensive study of his life's work now at the Tate, albeit in a smaller version than already seen in Munich, St Louis and Berlin, all the more welcome.

But that is not to say that Corinth is not complex and contrary. Indeed the sheer volume and apparent variety of his output are merely the first of the problems he puts in our way. For here is the bridge in German art between the Romantic academic realism of the 19th century, characterised by Adolf Menzel (another forgotten hero seen lately in Paris and now in Berlin), and German Expressionism of the early 20th, Kirchner, Beckmann, Kokoschka and the rest.

And in between, though not necessarily in any evolutionary sequence, come full-blooded engagements with descriptive impressionism and narrative symbolism that amount sometimes to near-kitsch. A large portrait of an actor in full black armour with drawn sword and banner (Rudolf Ritter, 1906), Bacchus groping drunkenly at a Baccante (1895) or Salome (1899) slavering over the Baptist's newly severed head, do have their faintly ludicrous aspects.

In 1901 Corinth left Munich, where he had studied and matured, for Berlin, where his career immediately prospered. He was aware of modern painting in France and responsive to it, to Manet especially. Yet he also set himself within the older northern traditions of Rembrandt, Hals and Rubens. "We honour the great masters of former times", he said, "and shall make it our aim to emulate them in the spirit of our own times".

Seeing himself as the modern champion of a specifically German art, he became increasingly disillusioned with the contemporary international avant-garde. "Whether or not I belong to 'modern art'... I cannot alter my convictions in order to remain modern." The later tastes his fiercely romantic German patriotism before the first world war was an embarrassment; to Hitler in the 1930s he was a degenerate modernist.

But Corinth in the flesh, which is to say in the work and the paint itself, confounds all such contradictions. The conventional view is that the massive stroke he suffered late in 1911, when he was 53, definitively



'Salome', 1899, by Lovis Corinth: he was the bridge between 19th-century German Romantic realism and 20th-century German Expressionism

## Reputation resurrected

William Packer welcomes long-overdue recognition for Lovis Corinth

divides his work. And indeed there is discernible, between the earlier and the later, a certain change of mood, from energy and swagger to something more wistful and reflective, disillusioned perhaps, and melancholy.

But by the evidence of the work, he made a remarkable recovery. Encouraged by his wife, Charlotte, he was working again by the early summer of 1912, and some of the paintings of that time are as fresh and accomplished as any he ever made. He starts by painting Charlotte herself, half-smiling, half-anxious beneath her broad straw hat, half-decolleté, her face half in

shadow, the gesture of her hand at once half-anticipating that of the later "Magdalene" (1919) and yet half-recalling that of the young girl of his earlier "Innocents" (1890). The handling is extraordinary, as light and free as it is subtle and particular. It is the most tender of images. A dark still-life, the "Cat's Breakfast" (1913) of fish on a couple of plates, is no less a *tour de force*, the statement so radical in its freedom as to lose the image altogether on the surface, yet falling into exact description a pace or two away.

Corinth himself was sensitive to current suggestion that since his illness his work had changed. "When I review my work in its entirety, it does seem to form an homogeneous whole", he wrote in 1913, and with a further 12 years represented until his death in 1925 this exhibition bears him out. What is remarkable is that for all the changes in style, to which he readily admits, the essential sensibility remains so much the same throughout.

Style, we should always remember, is never the essence. And for all the bombast, self-importance and overt ambition of so many of the compositions and set-piece portraits, there runs through all the work and

most especially the portraits, that sense of quizzical melancholy, even self-doubt. We find it in the very first portrait of his father (1883), but most especially do we trace it through the long sequence of self-portraits, and the paintings in which he uses Charlotte, his wife and muse, as model.

**H**e paints the two of them together, side by side in the studio (1902), she natural and serene in her nakedness, he bulbous with his arm around her. Or again she turns her naked back on us to embrace her

husband (1903), who glares protectively out at us across her shoulder. Here is the same man, and the same expression, uncertain, anxious, questioning, who looks out at us in the last self-portrait of them all, in 1925.

And there too, *mutatis mutandis*, are the same honesty and ambition in the handling of the paint, the same dash and directness in the very paint itself. Before and after, it is all one, and Lovis Corinth no longer a painter easy to forget.

That round represents one of the many battles being fought today on the television screens by secular Israelis. They do not want the cultural or social agenda set by the ultra-Orthodox, who are gaining more political ground. And it is taking place at a time when the issues dividing Israeli society are no longer exclusively about the peace process. They are about the future direction of the Jewish state.

with the defenders of civil society co-existing more and more uncomfortably with the ultra-Orthodox who claim to be the guardians of the Torah.

But it also reveals much about how far Israeli television - and society - has changed since the founding of the state nearly 50 years ago and the establishment of Channel 1, the first Israeli television station, almost 30 years ago. That was when Kirschenbaum, fresh out of studying motion pictures at UCLA in California, returned to Israel. It was one year after Israel's momentous Six Day War victory. "We thought we were invincible," said Zvi Lidor, the IBA's spokesman. Israel's defeat in the 1973 Yom Kippur war changed all that - and Israeli television.

**K**irschenbaum started breaking taboos in his *Cleaning the Head* satirical series in which he questioned hitherto sacrosanct institutions, such as the military and the intelligence services, and relations between Arabs and Jews. "There are not many taboos left," said Kirschenbaum.

His dress is casual. His rendering is irreverent. His language is colloquial. He wants to make the Torah accessible. "I speak a simple language because that is the language of my audience. I am a believing Jew. I ask, out of love for the Torah, to extend a hand and to bridge the awful gap in society," he said recently.

The ultra-Orthodox were having none of what they perceived as blasphemy, where Noah and other biblical heroes were demystified by an upstart who dared challenge their monopoly over the interpretation of the Torah. Shas, the ultra-Orthodox party in Benjamin Netanyahu's governing coalition, wanted Kopatch silenced. The seculars rallied around. Mordechai Kirschenbaum, director general of the IBA and father of Israeli television satire, stood his ground. The ratings went up.

The ultra-Orthodox, realising publicity provided oxygen to their opponents, retreated to silence. Kopatch won the first round. That round represents one of the many battles being fought today on the television screens by secular Israelis. They do not want the cultural or social agenda set by the ultra-Orthodox, who are gaining more political ground. And it is taking place at a time when the issues dividing Israeli society are no longer exclusively about the peace process. They are about the future direction of the Jewish state.

Judy Dempsey

## Disney's bid for Hugo's mantle

Jackie Wullschlager on a fascinating exhibition which attempts to show how close Hugo and Disney are in spirit

**T**he bells peal ceaselessly, an accordion trills out 1950s French dance tunes, children scream as they recognise models of their favourite characters, and the curator of the normally sedate Maison Victor Hugo looks in astonishment at the queues down the oak-panelled staircase.

As its French theme park gears up for the spring season, nowhere is the Disney corporation's eagerness to meet European cultural credents more dramatically on show than at the rambling old town house in the corner of the Place des Vosges which now plays host to an extraordinary exhibition, *Walt Disney Chez Victor Hugo*. Launched to mark the French opening of the feature film *The Hunchback of Notre Dame*, this show celebrates a double piece of history: how Hugo and the 19th-century poets looked back to the Middle Ages, and how Disney drew inspiration from their romantic revisionism in the 1990s.

Using 19th-century prints, paintings, architectural models, first editions, a record of theatre productions and songs built on the popularity of Hugo's 1831 novel *Notre Dame de Paris*, it is on the one hand a fascinating investigation into what history tells us about the historian, about how we make sense of the present by rewriting the past. Interspersing these with drawings and sculptures by Disney animators, with a mini-show demonstrating how computer-generated imagery works and a video of the making of *The Hunchback*, it is on the other hand a classic of cultural propaganda. It proposes Disney as the modern heir to European romanticism, reworking myths for our times just as Hugo reshaped them for the 19th century.

I am a fan of Disney, and up to a

point I am prepared to buy this story, but it is amusing to note the extremes to which the organisers here have gone to convince that blob of gallic reprobates see American cultural imperialism eroding the French heritage and wish that Disneyland was sum in the Marne.

A centrepiece of the Maison Vic Hugo in sober times, for example, is Pilotell's "La Vision du Poète", a large portrait of Hugo crowded beneath a gargoyle half

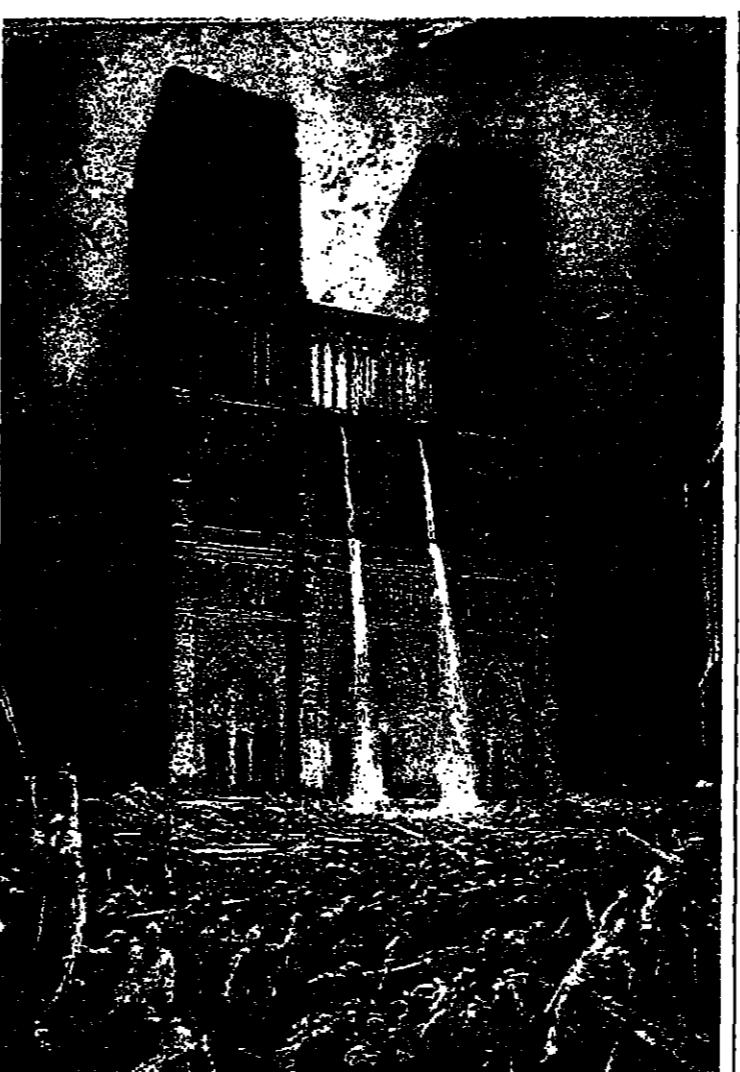
Medieval Paris, then, not the hunchback Quasimodo or Esmeralda, the girl he loves, is the hero and the heart of the novel, and it inspired a new reverence for Notre Dame and numerous paintings of the cathedral.

François-Nicolas Chiffart's red chalk and gouache vision, "Les truands assiégeant Notre Dame de Paris", was clearly a model for David Martin's Disney sketch, which echoes its menace of light and shade. Elsewhere Disney's debt to other early interpretations, Louis Boulangier's lascivious, illustrations to the book, for instance, are emphasised.

Hugo, like Disney, was a nostalgic merchant. At a time of rapid technological change and the advance of the machine, when industrialisation was transforming the appearance of cities, he evoked the Middle Ages as an era when architecture was the work of individuals slowly building a Gothic masterpiece, able to leave their own stamp on a gargoyle or a stained glass window.

His 1490s Paris was peopled, however, with quintessentially 19th-century characters who are lost in Disney's cheerful revision. Frollo the wicked monk speaks volumes about 19th-century sexual repression, not medieval corruption; in a contemporary song-sheet, "Les Soupirs de Claude Frollo", a mournful, buttoned-up donnish character, a Ruskin or Lewis Carroll, looks out of a window, skull at his side, singing, "ah maudit soit le jour où je suis né" (cursed be the day that I was born).

Esmeralda, celebrated in popular songs of the day such as "La Bohémienne de Paris", is a typical Romantic heroine - the gypsy *femme fatale* who dies, like Carmen in Merimée's story 15 years later, a victim of male vengeance. Juxtapose the Disney drawings of her



'Les truands assiégeant Notre Dame de Paris': a model for Disney's 'Hunchback'

notably Vance Gerry's "The Independent", where a huge-eyed, strong-jawed I-am-my-own-person Esmeralda tosses her head and her bold chunky earrings - with, say, Charlie's Steuben's docile beauty, eyes downcast, clutching her goat in the lithograph "La Esmeralda et sa Chèvre", and you have a snapshot of how feminism has revived 19th-century victims into plucky individualists.

For French audiences, Esmeralda is an up-to-the-minute heroine who stands up against racial intolerance and seeks political asylum in Notre Dame, then looks forward to marriage rather than martyrdom. Balzac's verdict on Hugo's novel

notably "two descriptions, beauty and the beast, and a deluge of bad taste" - summed up much of the recent critical response to Disney's *Hunchback* as an inferior *Beauty and the Beast* set against tasteless features such as singing gargoyles called Victor and Hugo.

Both, however, have been popular successes; this exhibition shows at once how close Hugo and Disney are in spirit and how far a dark erotic 19th-century tale must evolve to succeed in the sunny banality of Disneyland.

Walt Disney Chez Victor Hugo, Maison Victor Hugo, 6 place des Vosges, Paris, until March 16.

## Television in Israel Unorthodox humour

**T**he letters and phone calls of complaint to the Israel Broadcasting Authority, the publicly-financed independent network, have all but stopped. The ultra-Orthodox newspapers no longer write about Gil Kopatch. The Israeli mainstream newspapers rarely review his television sketches. Perhaps lack of fame means success.

Success, because Kopatch, a young comedian versed in the texts of the Torah, or Bible, has used Channel 1, the IBA's non-commercial network, to launch the first popular satire on the Torah. Each Sabbath evening, when the ultra-Orthodox switch off television but when secular Israelis, who still make up more than 60 per cent of the Jewish population, tune in, Kopatch gives his interpretation of the weekly "Portion", a section of the Torah read out in the synagogues during the Sabbath.

His dress is casual. His rendering is irreverent. His language is colloquial. He wants to make the Torah accessible. "I speak a simple language because that is the language of my audience. I am a believing Jew. I ask, out of love for the Torah, to extend a hand and to bridge the awful gap in society," he said recently.

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Judy Dempsey

## Theatre/Simon Reade Shakespeare at face value

**I**t is not just our post-Holocaust sensibilities which make *The Merchant of Venice* a problem play. Anti-Semitism has been dealt with in the ironic context of Mussolini's fascism. Shylock has been portrayed as a scrupulous city banker rediscovering his faith when persecuted. However, if you take no small leaps of the imagination, as in Bill Alexander's latest revival in Birmingham, Bankside, or Victorian back streets, than the Piazza San Marco and the Grand Canal - scurvy Christians and the arrogant Jew, is attractive.

If we do not care who wins Shylock, because we do not like her, if we do not shift our sympathies for Shylock because we have none in the first place, it is dissatisfaction with the prejudices of some in the audience. Little seems to be at stake after the laborious casket-choosing sequence in Belmont.

Even when Bassanio has made his leaden choice, Shakespeare has to motor his story along by delivering a letter bearing a far too important plot development to have relied on the Italian postal system. Shakespeare almost confesses his laziness when Portia produces yet another massive at the end: "You shall not know by which strange accident I chanced upon this letter..."

The courtroom scene relies upon a disguised, duplicitous Portia aping legal technicalities to save Antonio. She is disgracefully vindictive towards Shylock, robbing him of fortune and health in a travesty of justice: the play so cynical, or was it just rushed into the playhouse? A dénouement involving the hastily planted prop of a

At the Birmingham Rep, until March 8, and then on tour until April 26 (0121-238-4455 for details).

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# How to Spend It



## Little indulgences and big bonuses

Gone are the days of flash, frivolous consumption – bonus spending today is a much more considered process, but no less enjoyable, finds Lucia van der Post

**A** few extremely clever or outrageously lucky (depending upon your point of view) people about the city will have some enticing questions to ask themselves in the next few weeks: just what should they do with the £100,000-plus bonuses that will be landing in their bank accounts sometime between now and the end of March.

This year has been, in city jargon, a "stonking" year and bonuses are set to reach the kind of mind-boggling sums that most of us regard as serious capital but for some players is more or less small change.

Just what these sums are we can only guess. City players did not get to where they are by putting their heads above the parapet – most seem to have a poker player's temperament and are about as loquacious as Godot. Ask them about their bonus and you would think you were inquiring about money laundering techniques or whether they had a drug habit.

"It's all much exaggerated," say the bankers. But if you ask around a consensus begins to emerge. The five or 10 top players at each of the 10 leading banks will probably be looking at bonuses of £5m and above this year. There will probably be between 100 and 200 people receiving around £1m, followed by several thousand, in city terms regarded as middle-ranking employees, who will be looking at between £100,000 and £200,000.

According to Monks Partnership, remuneration advisers, bonuses among middle-ranking employees can range from nothing (roughly 10 per cent of staff) to something like 150 per cent of the base salary. A senior manager in asset finance on a salary of say £100,000, is likely to get a bonus of 150 per cent this year, while the average bonus of a senior dealer, trader or member of the sales staff will probably be about 50 per cent of his basic salary of about £25,000.

For most of us this is dream territory. But for some it is an annual event that brings with it the problem of what to spend it on.

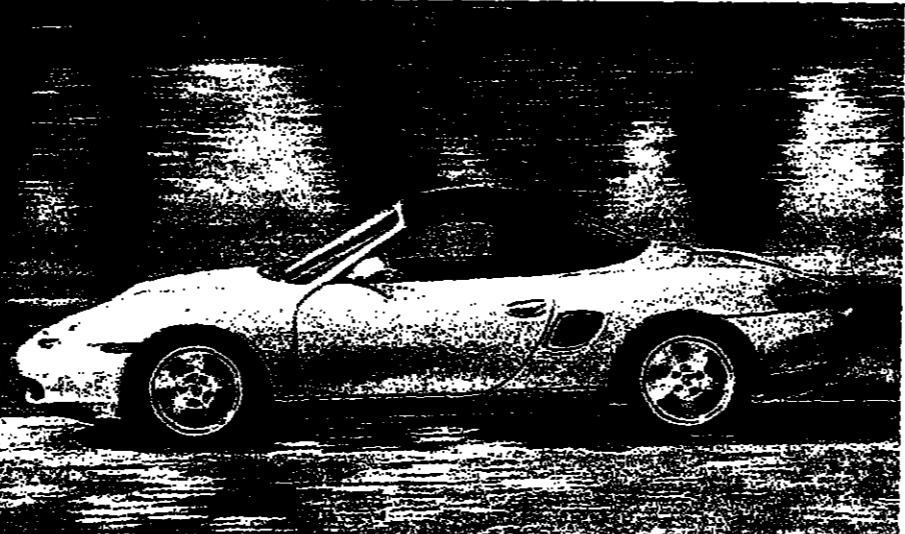
According to one, the first thing they do is "lie to their wives and fob them off with a cheap (£25,000) trinket [the clever wives learn to ask for a copy of the payslip]. Then they go to Jermyn Street and buy three new suits and 20 shirts. After that they buy lots of expensive clutter which they know nothing about."

Then they do incredibly sensible things, such as invest in pension funds, securities, mortgages and school fees – there is little talk of anything racy, such as yachts and race-horses, mistresses and jewels.

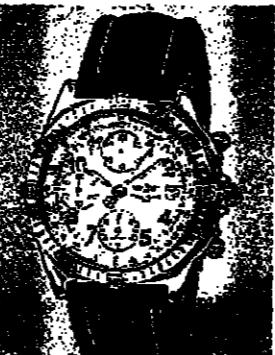
As one city player put it,



Hotly desired by the city set is the Mercedes SLK: an open two-seater costs about £30,000



Also much sought-after is the Porsche Boxster, £45,000: the first really new Porsche for 30 years



The Breitling Chronomat, £2,155, from The Watch Gallery



Miniature silver copy of a Steerman small aircraft, £10,000, from Theo Fennell, 169 Fulham Road, London SW3 8SP

"the really big bonuses will go to hard-working, sensible people and they are too sensible not to know that the good times may not last."

"Some use the money to invest in slightly risky projects – say a fashionable bar or a new business on the side. Others invest it so that, in a few years' time, they can give the whole thing up and, metaphorically, head for their desert island. The days when people bought a Ferrari a year are over."

"I'm going to be paying off a chunk of my mortgage and I'll put some into a school fees plan, but we do always buy something small to celebrate. Usually it's a work of art – we're not talking Rodin here, we're talking something that won't cost more than a few thousand. We'll go to the annual art fair in Islington, Art 97, and look over the new works or to one of the many galleries we like to keep an eye on."

"It's the younger footloose and fancy-free traders who, say, their twenties who might blow it all on one of the hot, new cars, say a Lotus Elise or the Mercedes SLK, if they've had the foresight to put their name down for one in time."

He added: "Most people, though, do treat themselves in some way or another. A partner I know in a leading investment bank took his wife and family off to Sandy

sober, very prudent, even the new young graduate entrants. Even those on very big bonuses often just put the lot into something like the Halifax Building Society."

"I'm not married but I'm very prudent. I've paid off my mortgage and I'm going to put a huge chunk into my pension fund but I will treat myself a little – this year I've bought a new car for the first time in six years. It cost me £60,000 but already I could sell it for more than I paid."

All this sobriety and long-term planning doesn't sound like good news for retailers who have designs on such windfalls. But even the most sober indulge a little.

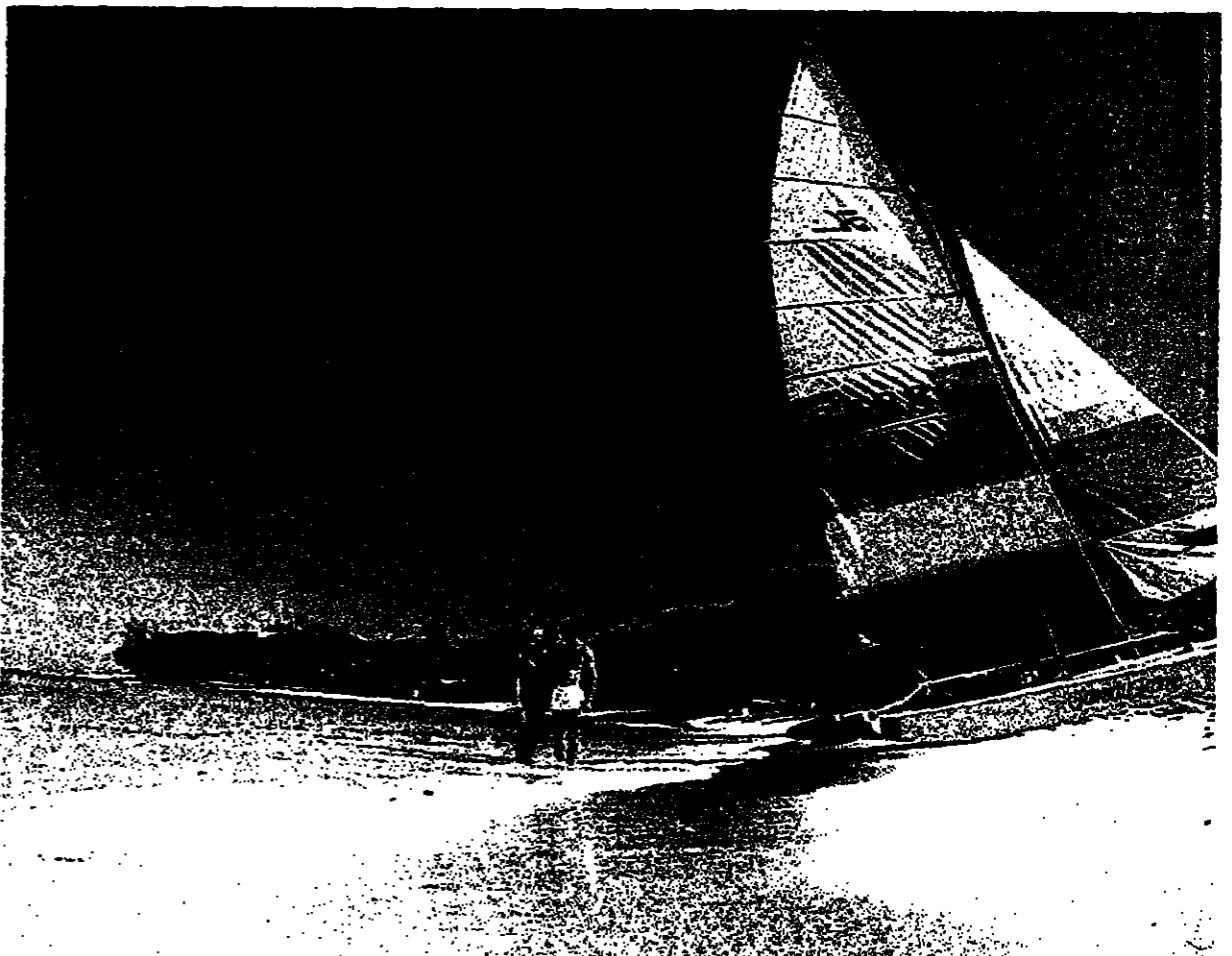
Bruce Dundas, marketing director of Theo Fennell, jeweller to the It girls, the partying set and the high-rollers, says there are regular clients who every year treat themselves to some little fantasy. "They buy small things such as our ketch-up bottles with silver caps for about £700, or our 1940s copy of a soda-siphon shaped like a fire-extinguisher for £3,750."

"They seem to like fantasy things. Boys toys are popular – some ask for a miniature silver copy of their favourite car, a Bugatti or Alfa Romeo say, or a plane."

Tim Taylor, after years working for the Waddington Gallery, recently opened his



'Welcome to the Eye 1994' by Juan Uslar 80in by 106in, £25,000 plus VAT, from Timothy Taylor Gallery, 1 Bruton Place, London W1



The Didn't-I-Do-Well Holiday: a fortnight for a family of six at Sandy Lane, Barbados, on Concorde, would leave little change from £70,000

own gallery, Timothy Taylor Gallery at 1 Bruton Place, London W1. He is holding an exhibition early next month with his eye firmly on the city bonus. "The idea is to introduce the city players to contemporary painting. Nobody that I know of blows their bonus on modern art. The city chaps seem very careful with their money and put most of it into safe, long-term investments or

some kind of security. But they will usually spoil themselves a little."

"My exhibition will mostly have works by established artists with recognisable names, though there will be a few extraordinary pieces which may capture the interest of the risk-takers among them. They could spend as much as £1,000 on a contemporary print."

Franz La Roseé, who owns

The Watch Gallery at 129 Fulham Road, London SW3, says watches are many a city worker's idea of a treat. "Just yesterday I had a call from a regular customer saying my bonus is coming up, what have you got for me? I know what he has bought on a previous occasion. Then maybe something sporty like a Tag Heuer [about £1,000]. Then a Jaeger Reverso at about £2,400 and just at the moment the Franck Muller (£5,000) is very in vogue as an evening watch."

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# Creativity and capital get together

Next week's shows herald a new era for fashion in London. Avril Groom reports

**N**ine months ago, the £345m Pentland Group bought a 75 per cent stake in Red or Dead - best-known for quirky street style and controversial shows - from the failed retailer Fada.

A British entrepreneur who already funds bursaries for promising design students, is keen to find others willing to put up £500,000 each to start a manufacturing resource for small-scale designers.

Even banks are interested. Lloyds Bank has set itself up as the listening bank for the fashion industry, sponsoring the annual British Fashion Awards and prize-winning sophisticated style duo Pearce Flonda.

Such people do not make a habit of losing money. As the London fashion designers show their autumn collections in London next week, accompanied by the usual media hype, they represent an even more exciting prospect - big money.

British fashion is at last being seen, to those prepared to take something of a risk, as an exciting investment.

The superficial reason for this is the current high profile of sharp, original British design spearheaded by the export of John Galliano and Alexander McQueen to storm the Bastille of Paris couture.

London Fashion Week - a large exhibition and 48 shows - will include the return of Vivienne Westwood and the arrival of several well-established foreign



The autumn collections in London next week represent an exciting prospect - big money

labels aiming to make a long-term commitment in London. Spanish designer Amaya Arzuaga, for instance, whose street-influenced knitwear-based collections already sell in 60 countries, says Britain is one of her biggest markets.

Min Mi, the "younger sister" range of impeccably trendy Prada, also believes London is the right showcase for its look and will follow up with a Bond Street shop later in the year. They could be the nucleus of the emergence of London as the global capital for forward-looking design.

There are already direct spin-offs. More Italians are coming to London Fashion Week than ever before, ostensibly to see Min Mi, but it is hoped the result will be more British-designed clothes in Italian shops. Italian money men are signing up British designers but instead of whisking them off to Milan, they are leaving them in London, where their inspiration and artistic control lie.

Antonio Berardi's provocative way with delicate lingerie fabrics and Westwood-trained Bella Freud's witty sexy knitwear and tailoring appeal to the Italian psyche. After struggling with small budgets, both have just signed contracts with Milan-based backers. "They understand that we have to grow slowly," says Berardi, "and agree with our policy of exclusively supplying just a few top stores. They don't expect us to make money for two years."

Freud's new manufacturers have taken over her distribution and show costs. She finds this "a huge relief, it allows me to concentrate on designs, as does the security - my contract's notice period is two years".

The shows draw in buyers and backers - the British Fashion Council reckons on a 20 per cent increase in visitors to the shows this time. But the underlying reason for the new confidence in British fashion is the growing realisation of designers that a commercial approach and a proper business plan



Top: Workers for Freedom long wool coat and silk knit rib shirt; and, below, Red or Dead cord brushed cotton checked fusion dresses

are even more important than a portfolio of heart-stopping designs.

Fortunately, idiosyncratic British style has become voguish, and therefore more profitable, just as designers have become more commercially aware. This has led to what long-time backer of British design Manny Silverman describes as "a meeting of minds".

"There is," he says, "a greater willingness in potential investors to understand the design industry. Venture capitalists are beginning to see the opportunities on a risk/reward analysis. I am optimistic provided everyone plays by the rules, if designers don't spend willy-nilly and investors don't withdraw at short notice. But I don't foresee buckets of money being thrown at flights of fancy."

But what British consumers see as fanciful can be very commercial abroad, as the canny investor knows. Those days in the 1980s when British designers were doing well if they turned over £1m a year are long gone.

Vivienne Westwood, once regarded as the grand eccentric of fashion and proud of her independence from backers, expects a turnover approaching £20m this year and hopes to join the exalted ranks of Paris couture designers next.

Hers is nothing if not a serious business, fuelled primarily by exports to the Far East.

Similarly, Alexander McQueen's sales in Japan so impressed the influential Japanese clothing manufacturer Onward Kashiyama that it wowed him away from his previous Italian manufacturer. Its long-term plans for the business are for it to achieve a fine balance between commercial sense and spectacular creativity.

Red or Dead was turning over £10m five years ago. This figure had halved by time Pentland acquired it from Fada, but the group that revitalised Reebok and Kickers should see it improve by the end of the year. "I believe in Red or Dead's global potential to provide a good royal stream," says chairman Stephen Rubin.

"With so much American competition coming in, I like to back British. I may have gone out on a limb but I'd do it again as a private backer if another designer with the right commercial attitude came along."

That business moguls such as Rubin even talk to street fashion firms like Red or Dead is partly due to a system set up by the British Fashion Council and Marks and Spencer, whereby designers are offered business advice and are linked



Top: Helen David for English Eccentrics bias-cut dress with fishtail train with velvet coat and marabou headdress. Below left: Pearce Flonda putty coloured wool jacket with bishop sleeves and bias-cut skirt. Below right: Amaya Arzuaga beige suedette suit and chevron striped sweater

pleated-fabric styles have made her self-sufficient.

He would also applaud the growing, self-funded career of Helen David at English Eccentrics who, after 14 years, feels ready to show her signature devoré velvets, printed silks and bias-cut chiffons. She is doing it in style - a champagne breakfast at a high profile restaurant. "It's expensive but now it's a necessary part of each season's budget," she says.

Not every design label grows so smoothly. M&S is sponsoring shows for several talents still only just off the

starting blocks, including engaging designers as consultants and bankrolling their shows.

Betty Jackson, Marion Foale, Ally Capellino and Tanya Sam of Ghost work with Marks and Spencer suppliers, while Paul Frith and Clements Ribeiro have made their own small businesses grow through contracts with BHS and Dorothy Perkins.

At Debenhams, designers including Jasper Conran, Ben de Lisi and Philip Treacy, are paid both fees and on results for ranges under their own names.

It is probably no accident that Jasper Conran, whose perfectionist ideas are not cheap, should return to the catwalk immediately after the huge success of his first J range for Debenhams which, says chief executive Terry Green, "will make him a wealthy man".

Industry and designers have been on a fast and beneficial learning curve. Now, says Trevor Spiro, they must go further. "Big players should each put in a substantial amount to set up a manufacturing resource for young designers. I think we would get a good return but I'm not sure others would agree."

He could be surprised. Terry Green says he would be "sympathetic to the idea and keen to discuss it. We can already put designers in touch with small factories". The British Fashion Council is discussing links with "younger" manufacturers keen to work with small-scale designers.

James Ogilvy, of the trade magazine *Luxury Briefing*, says he knows "potential investors wanting to spend between £500,000 and £5m on the right design or luxury project. They want designers to think in terms of global marketing and duty-free. We have the talent and the money. We need to engineer the links."

Lloyds Bank's sponsorship of Pearce Flonda comes in the form of direct financial support for their shows. Andrew Flonda says: "We are in close touch and receive advice that has enabled us to make the right decisions, like abandoning a manufacturer who was rippling us off."

Charles Mears, *Lloyds* head of sponsorship, says: "We recognise the importance of fashion and are happy to advise on anyone's business plan."

"Pearce Flonda is a case study in how to do it. As to a larger initiative, nothing is ruled out."

With investment communication channels open and its creative streams running at full peat, London is poised next week to join the big league of fashion cities. A unique talent generates the interest; investment, which feeds off commercial strength, will be needed to sustain it. Both sides at last recognise the need for symbiosis.

"The London hype could finish tomorrow and we have to look beyond it," says Antonio Berardi.

"Eccentricity is in but when fashion moves on we have to weather it," agrees Bella Freud.

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## FOOD AND DRINK

## Wine

# Fixing a date with vintage port

Jancis Robinson reports on the varied progress of the great, classic 1977s

**F**unny thing, vintage port. When it is good it is so absolutely, heart-warmingly delicious that it makes even the greatest bordeaux look rather puny, the finest champagne seem like a frivolous little mouthwash. But when it is unremarkable, it is so exceedingly unremarkable - just a rather coarse mixture of wine, sugar and alcohol.

The key, if the wine is worth it, is to wait, and wait, and wait until all these elements knit together.

The vintage port market has changed enormously over the past 10 years. Until recently, vintage port was made for Brits by Brits, expatriates stationed in Oporto.

It was typically cellared for decades and then drunk from decanters carefully passed from right to left round well-polished college, club and private dining tables.

Today the typical vintage port consumer is an American, who may have fallen for its charms relatively recently, and often sips a glass of, say, 1985 at the end of a meal in a fancy restaurant - very possibly with chocolate fudge tart or a fancy cheese cake.

After a period of flat demand for vintage port in the early 1990s, whole-hearted enthusiasm for the quality of the recently declared 1994s has geared up interest so that the prices of even the Cinderella vintages of 1985 and 1983 have also responded - even if price rises have been less dramatic than those for red bordeaux.

The shippers have done their bit to inflame demand by reducing the amount of wine declared as vintage quality - although they have more than compensated for this by a sizeable and thoroughly useful increase in the amount of wine sold as top quality vintage-style stuff from their individual farms, or Quintas.

While waiting for the crazily priced ports of the 1990s to mature, the vintage on which lovers of vintage port are currently staking their hopes for years of glorious drinking ahead is 1977. In every vintage chart and reference work 1977 is hailed as

a great, classic vintage - but how true is this? A dozen or so of us met last week to taste blind 13 of the most significant 1977s, to try to identify the star performers and assess the vintage as a whole.

There were representatives from most of the leading shippers, as well as those who have observed the port scene, either as merchants or commentators, for many a decade.

The first thing to say about our conclusions is that the vintage seemed disappointingly varied for one so routinely given five stars.

Those who had seen the 1985s and 1983s at this 20-year stage remembered a series of consistently dramatic, deep, dark, brooding monsters.

Our line-up was very dif-

**'Anything that tasted fairly drinkable now got half marks from me'**

ferent. As it happened, the first two samples looked decades apart. The Sandeman was pale muddy brown with an orange rim, while what turned out to be Smith Woodhouse was the sort of deep, bluish crimson that I would have guessed belonged to a wine made in the 1990s.

A few wines stood out as having a serious future ahead of them, some were downright disappointing and a few were very delicious now but were discounted by port purists as being suspiciously early maturing.

"Anything that tasted fairly drinkable now got half marks from me," said Bill Warre of Warre's port fame sternly. "It shouldn't be happening in a classic year."

There was even less unanimity about these wines than is usual in a blind tasting, but the ultra-optimist Fonseca, which commands the highest price - £900 a

case, was the only one to be declared a classic by all.

It impressed me enormously, with its lovely lift and perfume of violets as well as a promisingly chewy finish underneath all that fruit.

I shall invite Warre to share a bottle once I have made a start on my third and last case.

I might almost be tempted to sell some, but not to Farr Vintners of London SW1, whose present case price is only £290.

### Some vintage port bargains

For 1977 ports, price and quality seem even more out of kilter than usual. Last week, far-from-grasping Tanners of Stowesbury offered Fonseca at £94 a bottle, and Berry Bros of London SW1 were selling it by the case at £200 (about £26 a bottle).

Just across the street, meanwhile, Jastremer & Brooks' broking department had several cases of our second-favourite Smith Woodhouse for just £132, the same wine being available in the shop for £21 a bottle, labelled as Jastremer & Brooks 1977. Smith's is clearly one of

the few places with decent stocks of vintage port.

Berry's wine brokers can field 1977s from at least six important shippers (often sourced from their customers' reserves), and can offer the youthful Gould Campbell for just £20.25 a bottle, or £19 as Berry's own label 1977 - less than you would expect to pay for the 1989 vintage.

Another ship last week was Conney & Barrow's offer of six magnums of Taylor 1977 at £500 - for large parties only.

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### Cookery

## Prime time for fish feasts

Rick Stein is back, ready to woo all alleged fish phobics, says Philippa Davenport

**C**arnevale is over, Shrovetide pancakes have been tossed, and romantic Valentine's Day may be over, but the reality of Lent is sinking in.

Once Lent implied hairshirt fasting and penance. Now, many seem to welcome the thought of 40 days' abstinence from alcohol "to clear out the system". As for the prospect of meatless meals, never had that idea seemed more appealing - thanks, not least, to Rick Stein, patron saint of Britain's fishmongers.

It's a trick of adding body and depth to broth by heating in a mayonnaise-type sauce figures in a small stew of sea bass, mussels, squid and prawns, in which the seafood is grilled for intense flavour and laid in a pool of wine stock.

But where does the home cook buy fish of the quality and freshness required for these recipes? City folk are usually assured of a good source of supply. Those who live in the fishmongerless depths of the English countryside may be cheered to hear of a new venture called Cornish Fish Direct.

William Black and Nick Howell, who describe themselves as two of the most pernickety fish buyers in the land, are old hands in the wholesale markets and regular suppliers to chefs. Now spreading their net to home cooks, they aim to supply private customers in mainland Britain by overnight courier with special selection fish boxes and individual orders of top quality fish.

Chapters devoted to hot and spicy foods and deep-fried fish seem designed to convert alleged fish phobics. He largely eschews the elaborate and fanciful in favour of immaculately fresh ingredients cooked with care and simplicity. He gives the occasional time-consuming recipe for days when something special is called for, but most of his dishes are the sort of thing that many would be

less, make it up with more fish stock.

For the risotto, heat the olive oil in a heavy-based pan. Add the onion and garlic and cook over medium heat until soft and lightly browned. Add the rice and stir around for a couple of minutes, until well coated with the oil. Pour in the wine, bring to the boil and stir until the rice has absorbed all the liquid.

Now add 900ml of the warm shellfish stock in three batches, stirring well until all the stock has been absorbed before adding the next lot. Season. The risotto will take about 20 minutes to cook, by which time the rice should be tender and will have absorbed all the liquid.

Since the risotto is to be moulded into cakes it should be allowed to become really quite thick.

Put six 5cm pastry cutters or egg poaching rings on a baking sheet and line each



olive oil; chopped parsley to skin-side up only.

To serve, put the risotto

on six warmed plates.

Put two pieces of sea bass

on top of each, pour the sauce

around and sprinkle lightly

with chopped parsley.

Pre-heat the grill to high.

For the sauce, bring 150ml of shellfish stock to the boil and add the remaining saffron strands. Gradually whisk it into the mayonnaise, then pour it back into the pan and cook over gentle heat for a couple of minutes, stirring constantly, until the sauce is thick enough to coat the back of a spoon. Do not let it get too hot or it will curdle. Keep warm while you finish the dish.

Cut each fish fillet in half, brush both sides with a little of the melted butter and sea-salt and pepper. Place skin-side up on the rack of the grill pan.

Heat the remaining melted butter and the oil in a large frying pan until quite hot. Unwrap the risotto cakes, put them into the pan and fry for 1½-2 minutes until golden. Turn carefully, lower the heat to medium-high and fry for another 3-4 minutes until heated right through. Meanwhile

grill the fish for 2 minutes,

skin-side up only.

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## PROPERTY

# Consent and the listed building maze

Gerald Cadogan reports on how to take the bother out of restoration work

**S**ome years ago a US art collector bought Deanery Garden at Sonning in Berkshire, a grade I house designed by Sir Edwin Lutyens for Edward Hudson, the founder of Country Life magazine. With a garden designed by Gertrude Jekyll, the whole creation is an important statement of English architecture at the turn of the century.

Sir Edwin chose a geometrical design for the brick and timber house. It is like a Tudor manor - but better because it demonstrates the coherent vision of a fine architect rather than the haphazard concoctions of an Elizabethan masterbuilder.

Wood panelling and bold patterning of the beams are important features of the house.

But the US owner wanted a white milieu, which is ideal for showing pictures. He eliminated the counter-point of wood and plaster by painting the beams white, and even whitened the staircase. In the late 1980s he decided to sell the house. All might have gone easily for him had not someone spotted the newly whitened wood in the sale brochure.

"In no time English Heritage had slapped down an enforcement notice" to restore it to Sir Edwin's scheme, says Nicholas Brown of Knight Frank.

The house was sold after the reparation had been done. In 1996, the new owner put it on the market but, in the end, found that he loved it so much he refused offers and is still there, benefiting from his predecessor's superb restoration of the woodwork.

The moral is simple. Obtain listed building consent from the local council if you intend to do any work that, in the eyes of the law, affect the character of a listed building of architectural or historical importance. The council usually makes its own decision about a grade II building, on the advice of its conservation officer. If it is II\* or I, the case is likely to go to English Heritage. This procedure is intended to ensure that all work is done with a proper respect for the existing architecture.

Getting consent for work to be carried out on a listed building may be a bother, but it brings the sweetener that no VAT is payable. VAT, however, still applies to regular maintenance (for which there is no need to go to the council), but a private owner may find that repairing needs consent.

That situation, however, amounts to encouragement for tampering when what is needed are inducements to owners to look after the buildings properly - as happens in France.

English Heritage publishes pamphlets on the grants it gives and helpful advice on repointing, windows and doors. Repointing may need consent, and would qualify for VAT relief.

"Don't rub English Heritage up the wrong way," says Grahame Bond of Dunstar Properties. He is a developer who specialises in refurbishing listed properties that have fallen on hard times. "We tend to take on things other people are scared of," he says.

Bond is selling, through Foxtons, a beautifully restored Georgian house at

Turnham Green, west London, which came on the market a few weeks ago at £595,000. It has drawn such interest that the guide price has gone to £645,000. Three buyers are still keen.

"You must do your homework," Bond emphasises, "and learn how to read a house and its history." But, he adds: "I've come from Bath" - where homework and getting it right are the norm.

Last year he tackled the penthouse at High Point, Berthold Lubetkin's pioneering tower block in Highgate, north London. It was hard because "those 1930s buildings were thrown together. They did not quite understand the new technology."

Nowadays, a good contractor is the most difficult person to find. He must be willing to accept that a wall in a 1670 grade II\* house in Gloucestershire need not be made straight but must be put into "good surveying order".

Bond is glad to have used the same contractor for five years and had an in-house architect, both versed in style and the aims of restoration. "The principles stay the same," he says.

Green is also happy with English Heritage. He says they often take a wider perspective and have a pragmatic view of a problem. But "one must build up their trust". How? "Such as by putting natural slates back on the building."

More problematic, he suggests, are the local council



After a brief 'white' period, the fine turn of the century manor is now as intended by Sir Edwin Lutyens

officers dealing with listed buildings or conservation because "it is difficult to find among them that consistency of opinion" that English Heritage officers show.

But this is a problem more for developers than private owners.

One couple in the East Midlands, who have brought a 1700 farmhouse back to life, first talked informally with the council. "Find out what they are likely to

allow, so as not to antagonise them straight away," they advise, and talk to people on the planning committee - "not to pull strings, but to learn the lie of the land". The couple also held meetings to explain their plans to concerned villagers.

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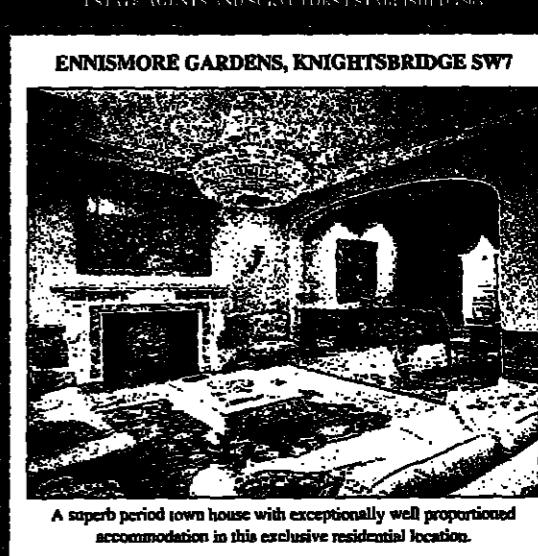
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## TRAVEL

Brittany

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Sue Style finds some bolt-holes for busy people

**P**icture a long, white building standing alone at the edge of a deserted beach. Gulls wheel, oyster catchers chase in and out on the receding tide. A solitary figure bends low to collect shells, the occasional jogger trots past.

The waves, white-tipped, roll in. Across the bay sailing boats weave and tack. This is the Hotel de la Plage at Sainte-Anne-la-Palud in Finistère, on the magnificent Crozon peninsula.

It is a characteristically understated sort of place for an understated kind of place. If you relish windy food, and a clean break from the clifftop noise and people, look no further.

Monsieur and Madame le Coz are the hosts, the third generation of the family to run the hotel since Monsieur's grandparents founded it 70 years ago. A double

room costs between FF7800-FF1300 (£85-£140) and Relais-et-Château membership ensures an international clientele: guests come from France, Britain, Belgium, Germany and Switzerland, with a sprinkling of customers from Italy and the US.

One of France's great hiking trails (*les Grandes Randonnées*) goes past the hotel: Douarnenez is 29 hours one way. The Menez-Hou landmark a more ambitious walk the other. In summer you

can indulge in some gentle bucket-and-spading, take a brisk dip, in the ocean or the hotel pool, play tennis or go for a sail. The attractive market town of Quimper, the beautifully austere granite village of Locronan and the Crozon peninsula are all within striking distance.

In summer, for FF750, you can have lunch on the terrace in front of the hotel. At dinner the main restaurant,

with its legendary view out over the beach and bay, comes into its own. Save one evening for the Menu Neptune at FF450: lobster (for which a magnificent bib-and-tucker and sundry weaponry are provided), followed by a choice of turbot or pigeon with *foie gras* and an impressive selection of cheeses and desserts.

Blue glass beads lie on the tables like pebbles on the beach; for most guests, they serve as almost irresistible worry beads. Marie-Thérèse, a sympathetic waitress/housekeeper-nanny figure of many years' standing at the hotel, takes infant French gourmets through their paces with the cheese trolley, initiating them into the delights of *camembert au lait cru*. (Out on the beach, infant Britons are taken through their paces with cricket bat and ball, and feast on Marmite sandwiches. It's all a question of

focus.) At around 9.30pm in mid-summer the waiter moves to the window, the blinds are raised and the curtain goes up on a show-stopping performance of the setting sun. As winter drags on it is nice to think of these things.

The sunsets are also superb up on the north coast at Cancale, with the added bonus of views over the bay of Mont Saint Michel. Here Olivier Roellinger's Maison de Brécourt makes another great destination for a get-away-from-it-all gourmet weekend. There is a top-class restaurant in a little 18th century town house and two hotels from which to choose: Les Riomains in town and the Château Maison Richeux further round the bay. The former (with only six bedrooms) is FF650 and FF750; the latter (with only six bedrooms) is FF750 and FF850.

The Château Maison Richeux, set in a cliff-top with distant views of Mont

St Michel, is the crowning folly of the Roellingers - as they themselves, rather disarmingly, describe it. Built originally in the 1920s, it is reminiscent of the sort of timbered and turreted mansions you see at Deauville and Trouville. Rooms range from FF750 to FF1350 and the hotel has its own restaurant, Le Coquillage. Here the

food is somewhat lower key than in the town restaurant, though provisions are centrally purchased and the cooking overseen by Roellinger.

The garden has also been restored to its former splendour: planted with numerous old varieties of fruit trees (complete with bees to pollinate them), it also boasts a

You are now entering Brittany: the fort at St Malo

Ray Roberts

purpose-built wood-fired oven in which all the house breads are baked.

Both the Maison de Brécourt and the Hotel de la Plage are havens of peace, essential bolt-holes for the busy.

The next time things get too much, clear your desk, stow the mobile phone, and pamper yourself for a long weekend - or longer.

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On the Road in Eastern Europe

## Indulging a sense of adventure

Taking a car into the former communist fiefdoms has become much easier, says John Griffiths

**F**or a long time, we had been driving deep into the unlit Hungarian countryside, the border with Romania drawing ever closer. We intended to cross not far from Timisoara, that bloody symbol of Romania's struggle to overthrow the despot Ceausescu.

The road ahead, on this starless night, lay dark and empty. But not for long. The rear of an unlit truck came into view. It proved to be a transcontinental Leviathan, parked nose-to-tail with hundreds more like it. The hindmost clearly faced a wait of days to cross the border.

We were luckier. But as the crossing point, an eerie island of light, receded into the blackness, our swinging headlights picked out a small and solitary boy. Aged eight at most, he was painfully thin, ragged, filthy and barefoot. But he was leaping up and down and cheering merrily.

We could not stop - we were competing in the 1988 London-Sydney marathon - but the questions have stayed with us. There was no habitation for miles, so where were his parents? Or was he one of Romania's wandering orphans? How did he live? And how, in such circumstances, could he summon up such a joyful, extrovert enthusiasm?

Even in the 3½ years since that encounter, much has changed for the good in Romania. Yet, although little more than a day's drive from Austria, it is still a step back of years in terms of motorising.

The roads are, almost without exception, poor. A rural Romanian pothole is called a crater elsewhere. But much of the countryside is green, varied and attractive, contrasting with villages half torn down and scarred by Ceausescu's attempts to destroy an entire rural culture.

Indeed, in Russia and the coun-

larger towns, horse-drawn traffic considerably outnumbers car and bus. For miles, roads lie mostly empty, the only "jams" are caused by flocks of long-haired, evil-smelling sheep.

To explore Romania by car is thus to enjoy - or more frequently, perhaps, to endure - a sense of adventure simply not available on the well-beaten motorising routes of western Europe. Getting there requires only an easily obtainable visa and some fortitude in terms of hotel accommodation. Unleaded petrol is available widely.

Like other central and east European states, for many years Romania was a closed door to casual visitors. Now the door is open in nearly all of them, the temptation is strong to take a car and examine what lies beyond their frontiers.

Such adventures do require caution. The bureaucracy/autocracy culture lingers. To enter without documents clearly proving ownership, insurance and intention to take the car out again is to risk interrogations, delays and - in extremis - vehicle impounding. A motorising package holiday such trips are definitely not.

Indeed, in Russia and the coun-

tries of the CIS, individual travel by car is still restricted. Accommodation must be booked and routes planned beforehand, and both must be listed on your visa and the mandatory "Autotourist" itinerary card.

Visas are not normally issued to individuals unless booked through an accredited tour

**The roads are poor. A rural Romanian pothole is called a crater elsewhere**

group. Then, too, you are advised to take a diesel car since unleaded, or even reasonably high-octane leaded, petrol is hard to find outside Moscow (standard issue is just 76 octane).

And be warned: car-related crime is high. If undeterred, contact independent Travel Department, intourist Travel, London. Tel: 0171-588 5896.

Indeed, in Russia and the coun-

tries of the CIS, individual travel by car is still restricted. Accommodation must be booked and routes planned beforehand, and both must be listed on your visa and the mandatory "Autotourist" itinerary card.

Visas are not normally issued to individuals unless booked through an accredited tour

Elsewhere, however, efforts to tap motor tourism are being made with zeal, especially in the Baltic states of Estonia, Latvia and Lithuania. These tiny nations between them have created the Via Baltica, along with a fledgling tourism structure.

Running north-south for 430 miles between Estonia's capital, Tallin, and across the Polish border into Warsaw, it provides ready access to the Baltic states' other capitals, Riga and Vilnius.

Not long ago, fuel availability and accommodation remained a major problem. Now, a Finnish oil company, Neste Oy, has set up a chain of western-style, 24-hour petrol stations with their own breakdown assistance and other comforts for the traveller along the entire length of the Via Baltica. Visa, Diners Club and Eurocards will do nicely.

Accommodation standards are rising sharply as well and, in the capitals at least, a broad spread in terms of price and comfort has become available. Intourist remains the main booking and advice route (see telephone number above), although all three Baltic states have national motorising organisations more than willing to provide detailed advice. No visas are required in

Estonia, Latvia or Lithuania.

A further word of warning: to enter the old, elegant cities of Tallin and Vilnius, motorists must pay an entrance fee. And they must forswear even a single glass of wine: the blood alcohol limit is zero.

Hungary, the Czech Republic, Slovenia and Bulgaria are tapping into the motorising holiday mainstream, too.

Lake Bled, for example, is situated spectacularly amid the mountains and forests of north-west Slovenia. Although a long drive, requiring transit through Austria, it is a near-paradise for motorists and hikers. Hotels such as the Ribno and Park require no compromise from western standards.

No visas are required and some leading tour operators, such as Crystal and Inghams, are happy to adapt their usual flight-based holiday packages to Hungary, Bulgaria, Slovenia and the Czech Republic to the needs of motorists travelling on their own.

Bulgaria presents more than the usual challenge. Nestling alongside Turkey, it remains a land of deep political tension and even hardship for many people. Yet life is fascinating and diverse and the capital, Sofia, is rich in music, drama and ballet.

Less than two hours' drive from Sofia are the mountain and forest regions of Rila and the vacation towns of Borovets and Pamporovo, already starting to smack of package tourism. But to point the car into winding mountain roads and their villages is to sample a way of life that has not changed much - except for a burgeoning wine industry - in centuries.

Responsible voices will argue that the world is a better place without them. It is safer, undoubtedly. Yet, I believe our bangers taught us resourcefulness and mechanical ability. Mine were always the centre of my life and, invariably, I ran a cooler set of wheels than any modern supermini costing 10 times as much.

Back in the 1960s, new to university, I met a fellow called Barry who had just paid £25 for a Humber hearse in fair health but with an appalling thirst. Along the side he stencilled:

■ For further details, you are recommended to read *Motoring in Europe 1987*, RAC Publishing, RAC House, P.O. Box 100, Croydon, Surrey CR2 6XW.

## Sentimental Journey You can't beat a real banger

Steve Cropley recalls his first car - romantic and highly impractical

**W**hen my 16-year-old son gets his driver's licence next year - and statistics say he will take a couple of attempts to do it - he will get his own car. It will be a small hatchback of the Ford, Vauxhall or Rover persuasion, undistinguished in specification or colour and with the smallest engine money can buy.

I know these things because my son and I have been putting practical thought into the matter. We have concluded that the Fiesta-Corsica-Metro route is the only one that can both meet our budget and clear all the hurdles which insurers place in the path of 17-year-old male drivers.

Our boy knows he will not be driving the family car for a while. We have a Ford Galaxy MPV (insurance group 12 - out of 21), whereas low-powered superminis are in group 2 to 4.

My wife and I would have to pay a lot to add a 17-year-old to our insurance, and he would not be earning the no-claims bonus he will need when he wants to move to a better car.

Economics aside, the harsh truth is that 17-year-olds have accidents, as any street-corner actuary will confirm. I am not keen on my son depositing the family car in a ditch and leaving the rest of us marooned in rural Gloucestershire or waiting for a local panel-basher to sort things out.

My own preference for Jonathan is a Fiesta. Common on dealer forecourts and in auctions, they are reliable and fun. For the past few years, every Fiesta has come with a standard driver's airbag.

In short, our supermini plan has Good Sense written all over it, and I can honestly see no better way. Yet, I will still have pangs of regret when I write that cheque.

Why? Because it was all so much more fun when I bought my first car. It was the seminal experience of my motorising life - and now, here is my boy sentenced to a Ford Fiesta when my own contemporaries had hot Minis, wheezing old Jags and TR2s. One even owned a home-built Lotus Seven.

In my day, you bought a banger. It cost £200, smoked whenever you ran it, leaked oil on your girlfriend's parents' drive and had to be parked on hills because you could not afford a new battery.

To me, that was the golden age of motoring, and it prevailed from the 1960s (when worn-out cars became cheap) to the later 1980s (when a much tougher MOT roadworthiness test sent them packing).

Responsible voices will argue that the world is a better place without them. It is safer, undoubtedly. Yet, I believe our bangers taught us resourcefulness and mechanical ability. Mine were always the centre of my life and, invariably, I ran a cooler set of wheels than any modern supermini costing 10 times as much.

The game old car, sorely for a year, blew up in my last week as a schoolboy. Its 3-tonne bulk was towed to the scrapyard, doubtless to be recycled into four or five Datsun Bluebirds. With exquisite fondness, I will always remember its last journey.

All of which is why I cannot help feeling that, as a first car, a Ford Fiesta is all very well. But you cannot beat the real thing.

■ Steve Cropley is editor of Autocar.



"Barry's Budget Burials - Stop The Driver for Free Measure and Quote."

After that, Barry was never again troubled by his big black barge's Olympian fuel consumption. His swelling band of friends and well-wishers went everywhere with him and, naturally, contributed to the petrol costs.

Another fine exponent of banger theory would pitch up at my old high school (in outback Australia) in a 1927 Chevrolet Tourer, bought new by his grandfather and kept in the family for 40 years.

At the time, an E-type would not have had more cred. We used to terrorise the main drag of our town, hanging off the running boards like G-men.

Another friend did his game best to trap schoolgirls with a Triumph Herald convertible, but the car was so sadly ruptured under the bonnet that

I am not keen on my son depositing the family car in a ditch and leaving the rest of us marooned

it hardly ran and its hand-applied paint, a kind of hearing aid beige, did not help.

My own first car was a 1948 Ford Bantam four-door saloon, a Detroit-built model with a V8 engine and a Stromberg carburettor the size of a suitcase. Even contributions from passengers could not always keep it on the road; our pocket money just could not keep up with its thirst.

The game old car, sorely for a year, blew up in my last week as a schoolboy. Its 3-tonne bulk was towed to the scrapyard, doubtless to be recycled into four or five Datsun Bluebirds. With exquisite fondness, I will always remember its last journey.

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■ Steve Cropley is editor of Autocar.

## Road Test Saxo appeal? It's got the lot

Stuart Marshall (and his wife) find Citroën's supermini both potent and affordable

**D**elegation, they call it. Citroën UK sent me a small, automatic five-door with power steering to try. I thought it might be the ideal car for the mature woman driver who, reasonably enough, cares little what she drives so long as it is compact, comfortable, parks easily and is effortless to handle.

So I did the sensible thing and handed it over to my wife to evaluate. But, after a few days, I found that getting her out of the driving seat was nothing like so easy as getting her in.

We were off for a round of golf. "No, thanks; I will drive - you can read the paper." I reckoned a two-pedal Saxo

bag and trolley as well." She was right. With the rear seat folded down, estate-car style, there was.

"This little car," she said, proceeding smartly along the B208 towards Dale Hill golf complex in East Sussex, "has all the nice things you expect to find in bigger, dearer ones. Remote central locking, driver's airbag, a keypad engine immobiliser and a decent sunroof, for example. And power-operated windows and door mirrors.

"I haven't tried this electro-hydraulic power steering before; it's incredibly light for parking but nice and positive on a winding road like this one. I think the Saxo rides very well for a small car. The automatic transmission is smooth, acceleration is nippy and there always seems to be engine power to spare.

We were off to golf. "No, thanks; I will drive - you can read the paper."

We had a very good round, even if my wife did beat me, and I was allowed to drive the Saxo back home. It proved to be everything she had said.

I reckon a two-pedal Saxo

1.6i VTS (list price £10,995) would transform the life of any motorist who finds driving a disagreeable but essential chore and has not yet discovered the delights of power-assisted steering and automatic transmission.

At the other extreme of the 16-strong Saxo model range are a couple of three-door hotshots, the 120 horse-power VTS and its less muscular sibling, the VTR, which has a 90hp engine - the same as that in the Saxo automatic.

On the road, there is not a huge amount of difference between VTS and VTR in perceived performance. Test track figures show that at 7.2 seconds, the VTS is just over two seconds quicker from 0-60mph (0.96kph) than the VTR (9.3 seconds) and peaks at 127 mph (204 kph) against 116 mph (187 kph).

Citroën claims the Saxo



The new, high-performing Citroën Saxo VTS: a young man's dream - and his mother's, too

production supercars did a revolutions has plenty of pulling power lower down.

Driven responsibly, the combined with fairly low gearing, it makes the Saxo VTS not in the least fidgety round with ABS and, should

the worst happen, twin seatbelts, and a passenger needle swinging round the cell protected by crumple zones and reinforced roof.

The 16-valve engine that spins so eagerly up to high

irresponsibly - say, by a young man with limited experience and inflated ideas about his skill - small, affordable and potent hatchbacks such as the Saxo VTS can be anything but safe to their occupants and other road users.

It cannot be said too often that the most dangerous component of any car is the nut behind the wheel.



## INTERNATIONAL ARTS GUIDE

## What's on in the principal cities

## ■ AMSTERDAM

## CONCERT

Concertgebouw Tel: 31-20-6718345  
 ● Houston Symphony Orchestra: with conductor Christoph Eschenbach and pianist Mitsuko Uchida perform works by Beethoven and Bruckner; 8.15pm; Feb 24

## EXHIBITION

De Nieuwe Kerk Tel: 31-20-6268168  
 ● Catherine, the Empress and the Arts: exhibition featuring 19 old master paintings from the collection of the Russian Tsarina Catherine the Great (1729-1796), including works by Titian, Bordone, Rubens, Hals, Jordens and Rembrandt. Alongside these paintings other art objects and personal belongings of the Czarina are displayed; to Apr 13  
 Stedelijk Museum Tel: 31-20-5732911  
 ● Markus Lüpertz: a large retrospective of the work of the German painter Markus Lüpertz. Among the works on display is "Golgatha" (1993), a major piece recently added to the museum's collection; to Mar 31

## ■ BARCELONA

## EXHIBITION

Fundació la Caixa Tel: 34-5-4588907  
 ● Oskar Schlemmer: this exhibition, the first Oskar Schlemmer retrospective in Spain, brings together a representative selection of works from all stages of his artistic career. On display are his cubist paintings, works which present his ideas on theatre and dance, as well as drawings done from the window of his house when the Nazi regime had labelled him as a degenerate artist and forbade him to work. Also included are filmed reconstructions of the Ballet Triadic and the Bauhaus ballets; to Apr 27

## ■ BERLIN

## CONCERT

Berliner Festspiele GMBH Tel: 49-30-2548930  
 ● Deutsches Symphonie Orchester Berlin: with conductor Marek Janowski and trumpet player Reinhard Friedrich perform works by Schenker, Mündy and Xenakis. Part of the Musik-Biennale Berlin; 8pm; Mar 1  
 OPERA  
 Deutsche Oper Berlin Tel: 49-30-3438401  
 ● Die Entführung aus dem Serail: by Mozart. Conducted by Sebastian Lang-Lessing, performed by the Deutsche Oper Berlin. Soloists include Johannes Terme, Amanda Halgrimson, Gwendolyn Bradley and Uwe Peiper; 7.30pm; Feb 28  
 Staatsoper Unter den Linden Tel: 49-30-20354438  
 ● Lulu: by Berg. Conducted by Michael Gieben, performed by the Staatsoper Unter den Linden. Soloists include Laura Alkin, Rosemarie Lang, Dagmar Pecková and Werner Rehm; 8.30pm; Feb 23, 26 (7pm); Mar 1 (6pm)

## ■ BIRMINGHAM

## CONCERT

Symphony Hall Tel: 44-121-2002000  
 ● City of Birmingham Symphony Orchestra: with conductor Sir Simon Rattle, soprano Julianne Banse, bass David Wilson-Johnson, the City of Birmingham Symphony Chorus, BBC Singers and the City of Birmingham Symphony Youth Chorus perform works by Stravinsky and Henze; 7.30pm; Feb 27

## ■ BONN

## EXHIBITION

Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200  
 ● Die Grossen Sammlungen VI: Zwei Gesichter der Eremitage: exhibition featuring works from the Hermitage Museum in St Petersburg. Included in the exhibition are 150 gold objects from the Scythes (7th to 3rd century BC) as well as works by late 16th century and 17th century Italian, Spanish and French artists. Featured artists include Caravaggio, Carracci, Reni, Velázquez, Murillo, de Ribera, Poussin, and Lorain; to May 11

## OPERA

Oper der Stadt Bonn Tel: 49-228-7281  
 ● Die Zauberflöte: by Mozart. Conducted by Gustav Kuhn, performed by the Chor der Oper der Stadt Bonn and the Orchester der Beethovenhalle Bonn. Soloists include René Pape, Lothar Odinius and Raimo Laukka; 7.30pm; Feb 25, 28

## THEATRE

Kammerspiele Bad Godesberg Tel: 49-228-82080  
 ● Fröhlings Erwachen: by Wedekind. Directed by Manfred Bellmar, performed by the Schauspiel Bonn (premiere); 7.30pm; Feb 28

## ■ BRIGHTON

## EXHIBITION

Brighton Museum and Art Gallery Tel: 44-1273-603005



Fernand Léger's 'The Blue Dancer' 1930 on show in New York

● Goya: The Disparates: display of 18 prints made by Goya in his 70s, featuring scenes of witchcraft, war, deformed creatures and flying men; from Mar 1 to Apr 13

## ■ BRUSSELS

## CONCERT

Palais des Beaux-Arts Tel: 32-2-5078200 (Concerts)  
 ● Maxim Vengerov and Igor Uryash: the violinist and pianist perform works by Mozart, Shchedrin, Tchaikovsky and Elgar; Feb 27

## EXHIBITION

Palais des Beaux-Arts Tel: 32-2-5078468  
 ● De Kunst van het Verzamelen: major exhibition of 20th century works of art from the collections of five Dutch museums: the Van Abbemuseum (Eindhoven), the Haags Gemeentemuseum (The Hague), the Museum Boymans van Beuningen (Rotterdam), the Museum Kröller-Müller (Otterlo) and the Stedelijk Museum (Amsterdam). Artists represented include Picasso, Mondrian, Dibbets, Nauman, Malevich, Bruegh, Leger, Dubuffet, Jorn, and Kien; from Feb 26 to May 25

## ■ CHANTILLY

## EXHIBITION

Musée Condé Tel: 33-44-570800  
 ● Raphaël et son Cercle: exhibition on the occasion of the centenary of the death of the art collector and donor duke Henri d'Orléans (1822-1897), featuring 54 drawings by the Renaissance artist Raphael and his pupils, including Girolamo Genga, Giulio Romano, Pertino da Vaga and Polidoro da Caravaggio. Alongside these are sketches by Raphael, "modelli" by Romano, drawings formerly attributed to Raphael and his circle and other works; from Mar 1 to May 29

## ■ COPENHAGEN

## DANCE

Det Kongelige Teater - The Royal Theatre Tel: 45-33 69 69 69  
 ● Royal Danish Ballet: perform Peter Martins' "Ash" to music by Torke, "Zakouski" to music by Rachmaninov, Stravinsky, Prokofiev and Tchaikovsky, "Barber Violin Concerto" to music by Barber and "Fearful Symmetries" to music by Adams; 8pm; Mar 1

## ■ DUBLIN

## CONCERT

National Concert Hall Tel: 353-1-6711888  
 ● Tito Beltran, Barbara Kilduff and Nicholas Folwell: the tenor, soprano and baritone with conductor Paul O'Flynn, the Cantári Avondale and pianist Brenda Hurley perform works by Bizi, Offenbach, Verdi, Flotow, Thomas, Bellini, Rossini and Donizetti; 8pm; Feb 28

## ■ EDINBURGH

## OPERA

Edinburgh Festival Theatre Tel: 44-131-5296000  
 ● Die Fledermaus: by Johann Strauss (in English). Conducted by Nicholas Braithwaite and performed by the Scottish Opera; 7.15pm; Feb 25, 27; Mar 1

## ■ FLORENCE

## CONCERT

Teatro Comunale Tel: 39-55-211158  
 ● Die Walküre: by Wagner. Concert performance conducted by Semyon Bychkov, performed by the Orchestra e Coro del Maggio Musicale Fiorentino. Soloists include René Pape, Lothar Odinius and Raimo Laukka; 7.30pm; Feb 25, 28

## ■ FRANKFURT

## CONCERT

Jahrhunderthalle Hoechst Tel: 49-69-3601240  
 ● Sinfonia Versova: with conductor Yehudi Menuhin perform works by Schubert and Dvorák; 8pm; Feb 24

## OPERA

Alte Oper Tel: 49-69-1340400  
 ● Genoveva: by Schumann. Conducted by Peter Gülke and performed by the Frankfurter

44-171-3060055  
 ● August Sander: major retrospective exhibition of the work of the German photographer August Sander. In a series of uncompromisingly direct photographs, Sander recorded rural and urban society in Germany both before and after the first world war.

The selection of 200 photographs on display, drawn from Sander's own collection, includes a high proportion of previously unseen images; from Feb 28 to Jun 8  
 Tate Gallery Tel: 44-171-8878000  
 ● Turner's Watercolour Explorations 1810-1842: display of Turner's watercolours selected from the Colour Beginnings collection: a group of 390 pieces, some highly abstract and many, until now, unidentified. The majority of the works are studies, sketches or explorations of effects but there are also a number of finished pieces, most famously "Loss of an East Indiaman", one of Turner's graphic shipwreck scenes; from Feb 25 to Jun 8

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## ■ LOS ANGELES

## EXHIBITION

Los Angeles County Museum of Art Tel: 44-2-815-6000  
 ● The End of the Century: Prints Since 1970 from the Collection: exhibition featuring 90 primarily American prints produced since 1970. Included are works by artists responsible for the boom in contemporary printmaking such as Andy Warhol; works that demonstrate the renewed interest in figurative art, such as those of Keith Haring and conceptual art including Jeff Koons; from Feb 27 to May 18

## ■ MADRID

## CONCERT

Auditorio Nacional de Música Tel: 34-1-3370100  
 ● Orquesta Nacional de España: with conductor Miguel Ángel Gómez Martínez and soprano Maruska Xyni perform works by Breton, Paloma and Beethoven; 7.30pm; Feb 28

## EXHIBITION

## MUSEUM

## FÜR KUNST UND GEWERBE

Tel: 49-40-24862732  
 ● Das Geheimnis der Mumien - Ewiges Leben am Nil: exhibition focusing on Egyptian mummies, their role and preparation, and the ways in which they were a source of inspiration to - and sought after by - Europeans from the 17th century onwards. It also looks at how modern research techniques are used to look at the inside of a mummy without destroying the line wrapping; to Apr 20

## ■ HONG KONG

## CONCERT

## CONCERT

Concert Hall/HKCC Tel: 852-22742809  
 ● Hong Kong Philharmonic Orchestra: with conductor Christopher O'Riley perform works by Bach, Lutoslawski and Anne Akiko Meyers perform works by Bach, Copland, Brahms and Saint-Saëns; 7pm; Feb 27

## ■ LEIPZIG

## CONCERT

Museum für Kunst und Gewerbe Tel: 49-34-4397891  
 ● Wozzeck: by Berg. Conducted by Giuseppe Sinopoli, performed by the Orchestra e Coro del Teatro alla Scala. Soloists include Catherine Malfitano, Kim Begley, Franz Grundheber and Michael Howard; 8pm; Feb 28

## EXHIBITION

MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400  
 ● Fernand Léger: retrospective exhibition examining the work of the French artist who developed out of Cubism to produce realist works that captured the quality of the everyday experience and earned him a reputation as painter of the "heroism of modern life". 80 paintings and 50 drawings are on display; from Feb 25 to May 26

## OPERA

Metropolitana Opera House Tel: 1-212-362-6000

● La Bohème: by Puccini.

Conducted by Nello Santi, performed by the Metropolitan Opera. Soloists include Racolta, Leech, Fu, Schalendbrand and Robbins; 8pm; Feb 28

## ■ LONDON

## ART &amp; ANTIQUE FAIR

National Concert Hall Tel: 44-171-4397438  
 ● The London Original Print Fair: Europe's only specialist print fair features some 20 dealers from around the globe. It offers buyers a choice of artists' prints ranging from early Old Masters to contemporary artists. This year's fair plays host to a loan exhibition of 30 Rembrandt etchings from the Rembrandthuis, Amsterdam. The show covers Rembrandt's work, with biblical scenes, landscapes, self-portraits and nude studies; from Feb 27, 28; Mar 1, 2

## CONCERT

Barbican Hall Tel: 44-171-6384141  
 ● London Concert Orchestra: with conductor Paul Wynne Griffiths, soprano Susan Bullock and mezzo-soprano Claire Powell perform works by Rossini, Bizi and Verdi; 8pm; Mar 1

## EXHIBITION

Galerie Nationale du Grand Palais Tel: 33-1-49 17 17 17  
 ● Angkor et Dix Siecles d'Art Khmer: exhibition displaying 113 examples of Cambodian art, including a number of stone, bronze and wooden sculptures. The exhibition draws mainly on the collections of the National Museum of Phnom-Penh and the National Museum of Asian Art in Guimet; to Mar 1 to Jun 1

## CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611084  
 ● Orchestra dell'Accademia di Santa Cecilia: with conductor Myung-Whun Chung and soprano Natalie Dessay perform works by Mozart; 7.30pm; Feb 23, 24 (8pm)

## ■ SAN FRANCISCO

## CONCERT

Louise M. Davies Symphony Hall Tel: 415-864-6000  
 ● San Francisco Symphony: with conductor John Adams, soprano Barbara Bonney and the San Francisco Symphony Chorus perform works by Ravel, Satie, Debussy and Adams; 8pm; Feb 27; Mar 1

Some months ago Garry Kasparov decided to cut his business and political interests and focus on being world champion. The fruits came a few weeks ago when he won Las Palmas, and even more this week at Linares where he took first prize for the most impressive victory of his career.

Final scores were Kasparov 8½, Adams and Topalov 6½, Polgar 6, Anand 5½, Gelfand and Ivanchuk 5, Nikolic 4½, Dreier 4, Shirov and Pilat 3½. The result was also a career best for Britain's No 2 Michael Adams. Failure can be a great spur, and Adams has found his best form since his disasters in the opening rounds at Hastings. He lost only to Kasparov at Linares, and cemented his place among the world top.

Controlled aggression, and a lucid mix of strategy and tactics, are the hallmarks of Kasparov in full flow. White's B63 takes the game out of book lines where the champion is so strong, but once Black establishes a pawn at b3 with threats to the king, Shirov is always struggling. The end is a fine example of how to exploit a pinned piece

(Shirov v Kasparov).

1 e5 c5 2 Nf3 d6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 a5 6 Be3 Ng5 7 Bg5 8 h3 Bb4 9 Bg5 Bb7 10 Be2 b5 11 Bxg5 Bxg5 12 f3

Bd7 13 0-0 Nc6 14 B2 e5 15 Nc2 Ne5 16 b3 g4 17 f4 h4 18 Be3 b3 19 g3 Nc5 20 Qd3 21 Rad1 f5 22 c4 Qa5 23 Nc3 Ra6 24 Rfe1 e5 25 Nxe5 Bxc6

26 B4 Qa2 27 b5 exf4 28 Bxf4 Qb6 29 Bxf4 Qb7 30 Be3 Qc6 31 Bxh4 Qc6 32 Qxd6 Qxe4 33 Qd5+ Qxd5 34 Rxd5 35 Re2 Re4 36 Kf2 Rxe4 37 Re3 Bb7 38 Rxd2 Rxe4 39 Re4 Kf3 Bb6 40 Kf2 Bb7 41 Ke2 Bxd2 42 Kxd2 f4! and Black queens.

No 1168

(Shirov v Kasparov).

1 e5 c5 2 Nf3 d6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 a5 6 Be3 Ng5 7 Bg5 8 h3 Bb4 9 Bg5 Bb



If one stands on top of Arn Hill in Wiltshire, in the heart of southern England, the Bronze and Iron ages do not seem too remote. The hill may be crowned by a mobile telephone mast and a golf course, but the views stretch for miles across chalk Downs marked by the barrows and hill forts of early settlers.

It is possible to imagine, in a hazy sunlight, that the landscape has little changed.

True, those settlers would not have seen, immediately below Arn Hill, the town of Warminster – because the Saxons were responsible for that. It became a bustling corn market and wool town, with 30 cloth factories and 48 inns by the late 18th century. Then, this century, the military arrived in force, to set up engineering workshops and an infantry school close to the training grounds of Salisbury Plain.

Even so, Warminster remained a small town until recent decades when, as elsewhere in England, supine planners allowed house-builders to throw up brick

## Arcadia

# Land for jobs in Warminster

An English town is divided over a Honda development and protecting its rural fringe, says Roland Adburgham

boxes without even an attempt at vernacular architecture. The population has more than doubled to about 17,000. A bypass, opened in 1988, has spared the town from another blight – through traffic – but the roar of vehicles is more apparent than birdsong on top of Arn Hill.

Cars, as it happens, have created a quandary for Warminster. Honda, the Japanese motor company, wants to have a "vehicle enhancement" building and distribution base on land below Arn Hill. This would create about 150 jobs, most of them skilled, but would also require tarmacked land, floodlit at night, for no fewer than 7,000 cars.

The planning application has split the town. It is a

common dilemma: in a crowded but picturesque part of the country, should ever more land be sacrificed to provide jobs for people inhabiting all those new houses permitted by the planners? Warminster is already under pressure from the government to accept another 450 homes by the year 2011.

Honda, which assembles 100,000 cars a year 40 miles away at Swindon, is not the villain. The company makes it clear: "If the community doesn't want us, we will go elsewhere." Its purpose is to change inefficient distribution of the UK. Instead of delivering cars to dealers to await sale, the vehicles would be moved by transporters to the distribution base. There, once sold, a car

would be fitted to the customer's specification and then delivered to dealers. Lacking sufficient space at Swindon, Honda appointed consultants to find a suitable site. Warminster was one of a shortlist. The site has its merits: on the town's outskirts, near the bypass along which the transporters would trundle (a daily average of 38) and next to a railway which might be used in the future. A third of the land comprises Crusader Park, an unkempt and long-empty industrial estate. But Honda also needs some 20 acres of adjacent land.

Needless to say, many townfolk are alarmed. Alistair Morrison, a partner of Cheney & Thorpe, the project's design consultant, is

adamant that landscaping would hide the vehicles. "I believe you would have to go up in an aircraft to see them," he insists. Some 8,000 trees would be planted, pools created to encourage wildlife and, at night, "winky-washy white" security lamps would be of low intensity to reduce light pollution.

"If you can come to terms with the loss of 20 acres of agricultural land, there will be a shot in the arm for the local economy," Morrison says. It is apparent that Warminster, like so many other small English market towns, could do with a shot. A safe-way supermarket has grabbed local trade; elsewhere, vacant premises, charity shops and takeaways give the place a down-at-heels air.

The theatre is also expected to go into voluntary liquidation next week.

Most of the town council agree. The army remains the largest employer of civilian labour, providing 880 jobs, but that is 300 fewer since the "peace dividend" took effect. In trying to diversify its industrial base, Warminster has, until now, found inward investors hard to seduce.

"I would like something less intrusive but I don't think we can pick and choose," says Christopher March, also a councillor.

"We don't want to ruin the character of the town," says Paul Batchelor, a town and district councillor – it is West Wiltshire district council which will take the Honda planning decision. "But one cannot live in a time warp. We need to have a contemporary industry."

Although the only substantial commercial industry is in seafood processing, a few miles away there are hundreds of jobs at Longleat safari park and Center Parcs holiday village.

The town mayor, Helen Rowley, is concerned that, per acre, Honda will create few jobs. "I did think lovely, a factory is coming, but then I thought it's not really what we want," Elisabeth Collins, who chairs a residents' group, Action for Warminster, says. Approval would "open the floodgates for other development".

A town which has military establishments surrounded by razor-wired fences and signs warning "Armed guards patrolling" perhaps should not be too squeamish about a park for 7,000 cars.

Maybe the planted trees will make it virtually invisible from Arn Hill – unlike the existing rash of modern houses, stark industrial sheds and a brazen fast-food complex on the bypass. But then, should job creation always be put before the protection of what remains of a historic landscape?

The trams that give Milan a certain old-world feel were decked last week with little Italian flags. Italy won a great victory against England at Wembley, but there the celebration in the foggy streets of Italy's northern metropolis ended.

In other times, the night would have been filled with the noise of hooting cars and exuberant, flag-waving fans riding scooters.

The mood these days in the capital of fashion is glum, introspective, unhappy. It is nothing to do with the depressing climate – the sun even shone for a few days last week and Via Manzoni, the main avenue between the Scala and the public gardens, basked for a little while in the red glow of a tropical sunset. It is that the Milanese are undergoing an identity crisis. They have retreated behind the big wooden doors of their apartment buildings, not sure what to make of the changes taking place in their city.

During the phoney boom years of the 1980s, they considered themselves citizens of the only true modern metropolis in Italy: not only fashion, but the industrial, financial and cultural heart of the country.

But like a Pirandello play, the reality was never quite what it seemed. For all the attempts to turn the city

into Italy's answer to New York or Paris – there was even a ridiculous attempt to build an ice-rink in the middle of Piazza del Duomo to transform the famous cathedral square into a Milanese Rockefeller Plaza, and another aborted project to build a glass pyramid in Piazza della Scala to rival the Louvre's – Milan is today, as it has always been, provincial.

Unlike the citizens of many other parts of Italy, the Milanese are industrious and relatively disciplined. They are courteous, friendly and polite, if a trifle ostentatious and vulgar at times. That does not necessarily make them cosmopolitan, one of the characteristics of a real metropolis.

The city's wealthy bourgeoisie, mainly socialist-liberal in leaning, would like to see itself as a mirror image of sophisticated Manhattan democrat socialites. "But on film at least New Yorkers are depicted by Woody Allen whereas we are characters out of a Pietro Germi movie," an old resident of Milan explained.



Milan: smart and industrious but not quite cosmopolitan TRIP SCHWARTZ

Many of Germi's films are up to go to church and then masterful satires of Italian provincial life. On Sundays, those Milanese who have not escaped to their country houses or to the ski slopes, or indeed to weekends in London or Paris, still dress up to go to church and then buy sticky cakes to bring home to complete their lunch.

The city seems deserted. In the bars that are open radios crackle with football commentaries. Around the

cathedral and in the famous covered gallery, crowds parade aimlessly at a loss of how to enjoy themselves.

On weekdays the streets are busy, the traffic chaotic, but somehow there is not the same urgent rhythm of a big metropolis. Businessmen can be seen ambling in the golden triangle around Via della Spiga between groups of Japanese shoppers. And the expense account restaurants are not very busy: a marked change from the big spending years of socialist rule of the city.

There is nonetheless a little nostalgia for those bad old days. "Things have never been quite the same since Tangentopoli," a Milanese lawyer said. He was referring to the "Brusselsville" scandals that the city's magistrates unearthed a few years ago and sent the whole pack of cards, including the Socialist party, tumbling.

The separatist Northern League mayor of Milan is no Mayor Daley from Chicago, nor Jacques Chirac when he ran the Paris town hall. He is far from popular and appears to be fighting a losing

battle to be re-elected this year. The Northern League has been losing steam and its management of the city has impressed few. The gap between rich and poor has grown, few of the city's finest buildings have been spared from graffiti, the music is still good but the museums are struggling from underfunding, the rare parks are a disgrace.

Ay metropolitan needs strong and forceful local government to promote the social, cultural and economic conditions for it to thrive. Milan is desperately looking for a charismatic leader. It is not an easy choice. Some have spoken of the chairman of InterMilan, others of the head of the young industrialists association as possible future mayors. But the political parties at national and local levels are still bickering. And no clear favourite has emerged to win the Milan election on April 27.

Perhaps the most eloquent symbol of Milan's small-town politics is the sorry story of the Piccolo Teatro. Its founder and driving

force, Giorgio Strehler, recently resigned after a long and unseemly argument with the city over funding and artistic content.

The Piccolo has always been regarded as Milan's effort to establish a theatre company of international standing. After years of campaigning, Strehler, one of this century's undisputed great theatre directors, finally persuaded the city to build a new theatre to house the company. The building is now completed but the mas-

ter has left and Jack Lang, the former French socialist minister and the late President Francois Mitterrand's culture guru, has been called in to the rescue.

Last month the new theatre was inaugurated by the city's Northern League fathers in the absence of Strehler. As they entered the foyer, they saw workers unwrapping boxes of laboratory paper. "That's really going too far," said one of the wives. She was reassured that no offence was meant, the paper was going to be used to construct an avant-garde sculpture.

A metropolis Milan certainly ain't: a small-minded Clochemere perhaps. In any case, as the Ballans like to say, "la commedia non è finita".

### True Fiction

## A fraction short of groovy

Michael Thompson-Noel tries to make it into Miss Lee's bonobo society

I was in a high-class coffee dive in Beirut the other day, twiddling away an hour, when, by coincidence, in swept Miss Lee, my erstwhile executive assistant, accompanied by a gang of young male sports stars. There were two South American soccer players with really big hair, a Lebanese pentathlete, a Canadian weightlifter, two Czech swimmers, and so on. They looked as fit as fleas and all – this was clear – were in thrall to Miss Lee.

When she was my assistant Miss Lee ruled my life with the truculence you would expect of a glamorous, Thatcherite Yorkshirewoman though these days our paths seldom cross. ("Thatcherite" is a portmanteau word. It is often wielded as a pejorative, though in Britain and elsewhere many people use it as a synonym for numerous sterling qualities. In relation to Miss Lee, I employ it in the specialised sense of "Iron Maiden" in a John Galliano frock.")

"Elva, Miss Lee," I said, waving a hand at her gang

of athletes. "I know you like muscles, but this is ridiculous."

She said: "You never change, Michael. But try to be cool or you'll be out of your depth. Between them, these 15 boys own 17 world sports titles and 16 world records. But they're not just testosterone. They are charming and intelligent. And all of them, Michael, are employed by my foundation."

"Foundation?" I queried weakly, swirling my cappuccino. "Here in Beirut?"

"Here, there and everywhere," responded Miss Lee. "My foundation is thoroughly international and abundantly well endowed. We're here for a seminar. Tomorrow we'll be gone. Moscow, as it happens, for a chat with President Goga."

It was dawning on me

that things were changing fast in the life of Miss Lee, so I adopted a tone that I often employ, one of *faux-befuddlement*. "I've lost it," I said. "What are you doing here with 15

The human species will boast a female to male ratio of 49 to 1

muscle guys? What does your foundation do?"

Miss Lee fiddled with the emerald bracelet she always wears, and motioned to one of the Czech swimmers to bring her an espresso.

"Put it like this," she said. "The universe is 15bn to 20bn years old, yet most

of its lifetime – 100bn years? 900bn years? – is still in front of it. Thanks to capitalism there are no limits to what humans might achieve in that time. This is because there are no limits to the wealth humans might create. With no limits to wealth, there can be no limits to our exploration and colonisation of distant galaxies.

"Correction, there is one thing that limits the creation of wealth: human male aggression. Human males are a tragic holdover from our species' rainforest past. So we're eliminating most of them. Governments and significant corporations everywhere want this to happen. As a result, very large sums have been awarded to my foundation, which is leading the campaign. Soon, the human species will boast a female-to-male ratio of 49 to

1. How is your primatology, Michael? Ever heard of bonobos? From now on, humans are going to behave like bonobos."

"Oh, sure," I said. "Bonobos." I straightened my Herbie Frog tie and told the Canadian weightlifter to refresh my cappuccino. He did not bat an eyelash. Hardly even looked at me. I could have been an ashtray. "How about this, Miss Lee of the five species of ape, two – gorillas and orang-utans – are fairly violent, and two – chimpanzees and humans – are ceaselessly violent. In the jargon of primatologists, male chimps and humans are *domestic* apes.

"But the fifth ape species, bonobos, who were formerly and mistakenly categorised as pygmy chimpanzees, are wonderfully peaceful and gentle. In bonobo society,

females hold the power. To maintain their order, they gang up on the males. Bash them around. Quite possibly, the suppression of violence among males in bonobo society has also led to the suppression of all predatory aggression. So, if humans were like bonobos there would be no genocide, warfare, rape, assault – just harmony and lots of sex. And if you've set your sights on a human female-to-male ratio of 49 to 1, it's not surprising you're collecting groovy male athletes."

"Not just athletes," said Miss Lee. "I am also in the market for a few creative and artistic males."

"How about me?" I said. "I'm a Piscean, Miss Lee. That's why I'm such a dream-boat. Chopin's birthday is February 22. Handel's birthday is February 23. Mine is February 24."

"Michael," said Miss Lee. "49 to 1 is a cruel ratio. If it had been 48 to 1, you might have squeaked in. But it isn't. So you won't. It's the age-old story, sweetie: miss is as good as a mile."

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## ■ Last week's interim results

Company	Sector	Year to	Pre-tax	Interim dividends
Airbus Preferred S	Int'l	Feb	- (1)	3.25 (3.25)
Airbus S	Int'l	Dec	12,167 (16,200)	- (1)
Allied Carrors	Int'l	Dec	9,030 (7,291)	2.5 (1)
BOC S	Chem	Dec	182,700 (104,800)	- (1)
Borsa	Int'l	Oct	1,220 (325)	- (1)
Briton	Prop	Oct	5822 (224)	- (1)
Britvic & Jackson	Int'l	Dec	4,700 (4,500)	- (1)
Brown	Int'l	Dec	778.5 (765.34)	1.3 (1.3)
Flushing Smaller	Int'l	Dec	518 (20.31)	- (1)
Frangeline 1000	Int'l	Dec	518 (20.32)	- (1)
Gartmore Stand S	Int'l	Dec	518 (20.32)	- (1)
Grosvenor Inv.	BP&P	Nov	1,108 (882)	3,325 (2,75)
Groupex Chex Gmrd S	BP&P	Dec	1,316 (1,350)	1.0 (0.9)
Hegson (John)	Text	Dec	1,316 (1,069)	1.5 (1.5)
Hydro-Dynamics	Int'l	Dec	426 (1,030)	1.2 (1)
Macra 4.5	Spd	Dec	514.6 (59.00)	9.7 (9.3)
Pantech Int'l Part	Int'l	Dec	322.2 (278.5)	- (1)
Pentech Int'l VCT	Int'l	Jan	1,637 (1.1)	2.5 (1)
Regent Inv.	BP&P	Dec	5,980 (3,510)	1.0 (0.6)
Rexroth	Eng	Dec	771 (585)	- (1)
Second Alliance	Int'l	Jan	2,388 (2,158)	15.5 (15.0)
TR Euro Growth	Int'l	Dec	278.92 (208.49)	- (1)
Vertix	EMER	Dec	1,436 (1,240)	0.05 (0.05)

(Figures in parentheses are for the corresponding period.) Dividends are shown net per share, except where otherwise indicated. \*Losses. 1 Net asset value per share. 2 3-month figures. 3 US dollars and cents. 4 12 months to Dec 31. 5 Corresponds to 11 months to Dec 31. 6 12 months to Dec 31. 7 10% for 10 months. 8 Corresponds to 17 months. 9 27 weeks to Dec 29. 10 9-month figures. 11 Corresponds to pro forma. 12 Excludes special of 68.3p. 13 10-month figures. 14 14-week figures.

## ■ Results due next week

Company	Sector	Announcement	Last year	Dividend (p)*
			Interim	Final
<b>FINAL DIVIDENDS</b>				
Abbey National				
ABP	Int'l	Thursday	7.25	14.5 8.7
Access Plus	Int'l	Wednesday	-	2.498 -
Admiral	Spd	Tuesday	2.9	6.5 0.7
BSI Group	Spd	Thursday	-	-
Beta Global Emerging Mids	Int'l	Thursday	-	-
Brains (IT & JR)	Eng	Friday	-	-
Brewham Dohig Hds	OffP	Wednesday	2.0	5.0 2.5
British Aerospace	Eng	Wednesday	5.0	6.25
British Gas	Gas	Thursday	5.4	8.1 5.4
Capita Group	Spd	Tuesday	1.3	2.5 1.5
Capital Shopping Centres	Prop	Wednesday	3.5	4.0 3.75
Commercial Union	Int'l	Wednesday	10.7	17.65 11.45
Crestcana	Hld	Wednesday	0.29	0.58 0.3
Delphi Group	Spd	Wednesday	1.5	3.0 2.0
Dinan Motors	Dist	Monday	1,675	3,325 2.0
Estate & General	Prop	Monday	-	-
Fairway Group	PP&P	Wednesday	1.3	2.55 1.4
Green Property	Prop	Thursday	0.013	0.031 0.013
Guardian Royal Exchange	Int'l	Wednesday	2.1	5.9 2.4
Hibernian Group	Spd	Friday	4.0	8.0 5.8
Hibernian Group	Int'l	Wednesday	0.028	0.061 0.031
ISA Inv	Dist	Wednesday	0.73	1.65 0.88
Inwestek	PP&P	Wednesday	1.53	3.06 1.83
Jarmyn Inv Prop	Prop	Tuesday	2.0	2.5 2.4
Lasmo	Int'l	Thursday	1.3	1.25 1.25
Lei Service	Dist	Thursday	6.0	9.0 6.4
Liberty Int'l Hds	OffP	Thursday	6.6	7.8 7.25
Mayflower Corp	Eng	Wednesday	0.67	1.33 0.75
Memory Corp	ADM	Thursday	-	-
Midwest Bank	Bank	Tuesday	8.4	16.9 9.6
Monstar	Trn	Thursday	0.0447	0.07 0.0447
Pacific Assets Tst	Int'l	Tuesday	-	-
RTZ Corporation	Ext	Thursday	10.5	21.0 10.6
Regal Hotel Group	Lei	Monday	-	0.5 0.325
Scotswood Inds	ADM	Friday	-	0.5 0.5
Scottish Estates	Int'l	Tuesday	-	-
Scottish TV	Med	Tuesday	4.0	12.25 5.5
Sems Group	Spd	Tuesday	-	-
Shares Smaller Co's	Int'l	Tuesday	-	-
Standard Chartered	Bank	Wednesday	3.25	7.75 4.25
Stanford Rock Hds	ADM	Thursday	-	-
Trocadero	ADM	Tuesday	-	-
United Industries	Eng	Friday	0.15	0.3 0.75
Vardon	Lei	Wednesday	0.4	1.25 0.45
Wimpey (George)	Spd	Tuesday	2.0	3.5 2.0
Zofelcom	Chem	Wednesday	1.8	3.6 2.0
<b>INTERIM DIVIDENDS</b>				
Atlantic Group	Eng	Tuesday	2.45	5.55 -
Ballwin	Int'l	Wednesday	-	-
Community Hospitals	Hld	Wednesday	3.4	6.8 -
Edis	Spd	Friday	-	-
Earthcare Group	Spd	Monday	-	-
Hanson	Int'l	Tuesday	3.0	1.8 -
Kelvion High Inc	OffP	Tuesday	2.35	2.35 -
Logica	Spd	Wednesday	3.0	4.8 -
Pifco Hds	Hds	Wednesday	2.3	3.15 -
Pizzapress	OffP	Monday	0.7	2.0 -
Primavera	Int'l	Tuesday	-	-
Quays Muir Hds	OffP	Wednesday	3.5	7.0 -
Renshaw	EMER	Wednesday	2.89	5.76 -
Stirling (Wm) Hds	Lei	Tuesday	1.9	6.1 -
Thom	Rein	Monday	-	-

\*Dividends are shown net per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. 1st quarter. 2nd quarter. 3rd quarter. 4th quarter. 5 Yearly dividend. 6 Hld Pnts and pence. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

## ■ Current takeover bids and mergers

Company	Value of bid	Offerer	Pre bid	Value of bid after offer	Offerer
Active Imaging	104	80.4	77.6	78.8	TVX
Appleby Westland	171.7	170	129	9.5	BWG
Arbit	264	264	20	20.01	Hampshire Inds
Burnfield	172.6	178	100	60.22	Falrey Group
Capital Corp	178	194	171	177.89	London Clubs
Clubb	440	421.5	419	1,241.8	Williams Hds
Clyde Petroleum	120	118	84	493.68	Gulf Canada
Cook (Wm)	427	421	375	80.81	Steel Castings
Gratus Group	176.55	172.6	125.1	35.31	Headline Group
Loyds Chemists	525	525	518.7	550.47	Carpetright plc
London Elect	705	702	683.4	1,23n	Euroenergy Public
Newman-Tunks	175	178	151.1	223.82	Granada Grp
OGC Ind	119.3	116.4	116.4	72.6	L&H
Pick Inv. Tel	124	125	117	46.17	Impresol-Rand
Premier Uniting	179.55	171	157	23.70	Hallbarion
Propex	144.55	142	130	33.77	Entergy
Scott Photon	57	57	51.6	7.45	Core Labs
Whessoe	155	154	90	45.88	Slabs

Prices in pence unless otherwise indicated. \*All cash offer. \$For capital not already held.

1 Unconditional. \*Based on flotation prices 21/2/97. 55p Shares and cash. % All shareholders who accept the offer may choose to receive loan notes for all or part of the cash consideration.

## New issues

## Birmingham's goal

Birmingham City this week became the latest football club to tempt investors, announcing plans for a listing on the Alternative Investment Market, writes Christopher Price. The English first division club plans to raise £7.5m from selling 15m shares at 50p in a transaction that values it at £25m. Proceeds will finance a stadium redevelopment and player purchases.

The valuation is 3.3 times Birmingham's annual revenues of £7.4m, a rating below that of Sheffield United, a comparably-sized first division club. Pre-transfers profits last year were £203,000 but the club

showed a deficit of £2.7m after transfers. Birmingham are currently 19th in their division and analysts say its prospects depend on whether it can win promotion to the Premier League where income from television, merchandising and other commercial activities is higher.

Birmingham plans to reduce its playing squad from 33 to 23 during its first full year as a listed company. Karen Brady, managing director, says the decision to release the out-of-contract players was made by Trevor Francis, the team manager, and was not linked to the flotation.

## ■ Last week's preliminary results

Company	Sector	Year to	Pre-tax	Earnings*	Dividends*
Anglo & Overseas	Int'l	Dec	576.4 (555.6)	9.6 (9.07)	9.5 (7.8)
Arcon Int'l	Edta	Aug	214 (475)	1.07 (1)	- (1)
Barclay	Bank	Dec	2,320.6 (2,090.6)	104.2 (85.6)	21.5 (20.0)
Boeing Trident	Int'l	Dec	485.2 (453.4)	8.8 (6.49)	7.5 (7.2)
Brown & Root	ADM	Dec	249 (225)	23.1 (20.4)	5.0 (4.5)
CB&I	Int'l	Dec	2,03 (15		

# Weekend Investor

Wall Street

## Nerves show despite inflation cheer

Greenspan's long shadow keeps traders on edge, reports John Authers

**T**here's no pleasing some people. On Wednesday, Wall Street learnt that consumer prices had gained only 0.1 per cent in January. This was a third of the level which had been predicted by economists, and it confirmed that inflation was remaining at a steady, low level which had not been seen since the early 1960s. Combined with news of a widening trade gap, it seemed persuasive evidence that the economy could not be overheating, and helped the Dow Jones Industrial Average stage another incursion across the 7,000 barrier, setting a further all-time record.

A day later, though, more economic information had pushed both equities and the bond market into reverse. Jobless data for the second week of February suggested fewer people than usual were looking for work, with the number of new claims edging up by only 1,000. The bond market, in particular, took fright, working on the assumption that a tight labour market which forced companies to bid up the salaries they offered would alarm the Federal Reserve, arbiter of the nation's interest rates – more than any other single measure.

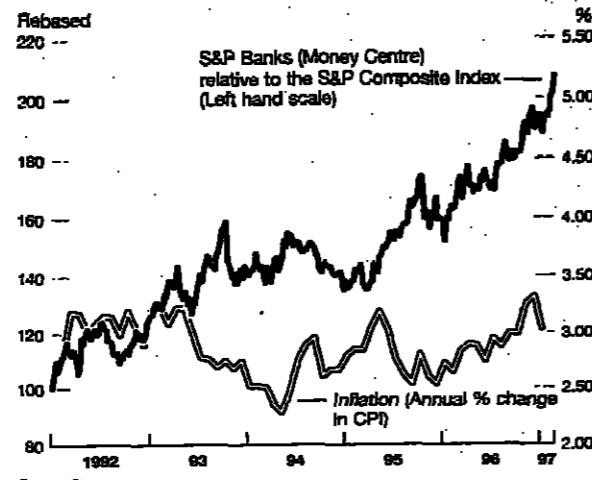
Yields on the benchmark 30-year treasury bond went beyond 6.6 per cent. That sent the Dow screaming back downwards below 7,000, and almost back through 6,900, its decline worsened by suggestions that high-tech companies were facing tighter price competition.

Suddenly, the long shadow of Alan Greenspan, chairman of the Fed, fell across the market.

Next week, he gives his annual testimony on monetary policy to Congress. And while inflation is under control for now, there are fears he will take the opportunity to voice his worries about the labour market and inflationary factors. Any drastic step by the Fed and the stock market, overvalued by most measures, would go into a sharp reverse.

Wall Street still does not seem to know how to deal with low inflation. As the graph shows, banks in particular have benefited from the stable environment, which has brought with it

### Banks boom as inflation falters



the opportunity to widen their profit margins. As a result, their shares have outperformed the market comfortably.

But Jeffrey Applegate, chief equity strategist at Lehman Brothers, published research this week reminding the market that history shows sustained low inflation can allow more generous stock valuations. He noted that from 1961 to 1965, the last period of sustained low inflation, the consumer price index rose at a rate of 1.3 per cent while price/earnings multiples remained above 18.

Today, the core consumer price index inflation is rising at about 2.6 per cent and the P&P's 500 is 19.6. According to Applegate, this suggests that the stock market appears to have gotten ahead of itself, but not wildly so.

This analysis implies that stocks could now be entering a trading range in which they oscillate around their present level for a while without necessarily powering forward. This would help to explain the volatility of the past three months, typified by this week's swings.

Low inflation has helped to recreate not only the valuations of the early 1960s but also the hostile corporate behaviour seen during the mid-1980s bull market. Armed with a generously valued share price – which, effectively, makes their currency stronger – companies can afford to make unwelcome approaches. Three separate hostile bids of more

than \$6bn are now underway.

These include the tangled bidding war for Conrail, a large eastern seaboard rail network, which is being waged by its only two serious competitors, CSX and Norfolk Southern; and Hilton Hotels' attack on ITT, owner of the Sheraton hotel chain and Madison Square Garden.

This week, A.F. Almanson, the nation's largest thrift, launched a hostile bid worth more than \$5bn for Great Western Financial, the second largest. Thrifts are similar to UK building societies, making their money from mortgage lending and deposit-based savings accounts.

But this bid has none of the cosy mutual behaviour associated with building societies.

Almanson said it expected to close 25 per cent of the branches of the new combined company and then in what could prove to be a disastrous public relations error, reassured its own employees that all their jobs were safe.

Wall Street investment bankers are rubbing their hands and waiting for what looks certain to be a vintage, nasty takeover battle. It would not have been possible without the present non-inflationary climate.

**Dow Jones Ind Average**

Monday	Market	closed
Tuesday	7,067.46	+75.50
Wednesday	7,020.13	-47.33
Thursday	6,927.38	-92.75

Friday

Tony Jackson

## Shareholders rule – OK?

That's how it used to be, but things are changing

**W**ith the Dow through 7,000, the triumph of investor capitalism seems complete. For years, American bosses have been claiming their shareholders come first. Now, British managers are queuing to learn how to run their companies in the interests of shareholder value. Even in France, according to a recent best-selling book called *L'Horreur Economique*, Anglo-Saxon capitalism stalks the land.

But is the trend really that simple? Chief executives in the US and UK are extolling shareholder value for two very good reasons. First, soaring stock markets have delivered value faster in recent years than they could themselves.

Second, the institutions have developed a nasty habit of firing executives who step out of line.

How far managers accept all this privately is another matter. The gospel of shareholder value looks good on the surface, but there is a snag. It involves the crucial assumption that the market knows better than managers what is good for their company.

The efficient market hypothesis, after all, says the share price represents the sum of knowledge on a company's prospects. When

executives set out to manage for shareholder value, they must calculate what that price implicitly expects of them. They must then plan their strategy so as not to disappoint.

The problem this poses was illustrated at a recent James Capel seminar by a former head of strategy at the UK cement company, Blue Circle. In 1989, Blue Circle set up a value-based management programme. But it was five years, he said, before it took hold – before managers could make the emotional leap to believing that shareholders really did know best.

Indeed so. Those who read the FT's recent series of valedictory interviews with Lord Weinstock of GEC will recall the frank contempt with which he regarded the market's understanding of his company. Human nature and chief executives being what they are, one suspects his is not alone.

In the US, at any rate, the debate is moving on. I recently touched on this topic with two of America's bigger bosses: Lew Platt of Hewlett-Packard and Larry Bossidy of Allied-Signal. Both explicitly rejected the idea that shareholder value was their first objective.

Hewlett-Packard, Platt said, was there to satisfy its customers and to provide sustained earnings growth. His approach has now changed radically. This year, he said, he had three priorities: first, to reach precise and quantified targets on customer satisfaction; second, to improve the learning opportunities for his workers; third, to make the numbers. "I don't want to run the company just for the shareholders," he said.

### Since many of the workers are feeling rather edgy, it pays to be nice to them

Allied-Signal six years ago had a sharp revival in the company's fortunes, based largely on ferocious attention to costs. As recently as two years ago, his declared priority was that everyone should "make the numbers".

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All this leaves the old-style investor in a slight difficulty. In recent years, the market has tended to put a higher multiple on a dollar of cost savings than a dollar of extra revenue even though, in accounting

which means that the investment institutions will, at first, be underweight in those stocks. One way of getting round the problem is to buy shares in the existing banks so as to get an appropriate weighting in the sector as a whole.

Another factor prompting investors to favour banking shares has been the scope for restructuring. Manufacturing has largely been through its shake-out of surplus labour and capacity but, while the banking sector has shed some jobs, it arguably still has far too much capital tied up in its branch network. At some point, costs will be cut and profits improved.

This year has seen another sharp jump in banking sector shares. One reason has been the imminent arrival on the market of three quoted building societies: Alliance & Leicester, Halifax and Woolwich.

The floatations of the societies will place the shares in the hands of retail investors, which means that the investment institutions will, at first, be underweight in those stocks. One way of getting round the problem is to buy shares in the existing banks so as to get an appropriate weighting in the sector as a whole.

Barclays put a bit of a dent in the banking sector's performance this week with results which disappointed the market. The setback came at BZW, the group's investment banking arm. Coleman says the market tends to prefer the strategy of Lloyds TSB, which has pursued the retail sector by buying Cheltenham & Gloucester and Abbey Life, rather than by involvement in investment banking. "The quality earnings are in the retail sector," he says.

Simon Kirtin, investment fund analyst at Abtrust Fund Managers, says he prefers HSBC Holdings and Standard Chartered to the domestic banks.

"Shh, I'm listening for the rise in the bank sector's shares."

Meanwhile, ABN Amro Hoare Govett has changed its economic and stock market forecasts, largely because of the strength of the pound against the D-Mark. It has cut its GDP growth prediction from 3.25 per cent to 2.75 per cent, and also reduced its forecast for four-quarter underlying inflation (excluding mortgage interest payments) from 3 per cent to 2.5 per cent.

That is good and bad news for the markets. ABN-Amro says lower growth and inflation mean that base rates need to rise to only 6.5 per cent (they are 6 per cent now), while long gilt yields will end the year at 8 per cent at the end of 1995.

Away from the banking sector, the UK stock market drifted a bit this week as investors waited for the results season to get into full swing next week.

The FTSE 100 index did manage to chalk up another all-time closing high of 4,357.4 on Wednesday, but then lost ground on Thursday and particularly yesterday as Wall Street wobbled slightly.

Although sterling weakened a bit this week, its persistent strength is causing commentators to reassess their views about the prospects for 1997.

The Confederation of British Industry warned this week that the strong pound was stifling exports and economic growth, and cut its forecast for 1997 gross domestic product growth from 3.1 per cent to 2.8 per cent.

In spite of this, the prospect of lower-than-expected gilt yields and base rates has persuaded Mark Brown, the head of strategy and economics, to increase his end-year Footsie forecast from 3,900 to 4,000. But note that his forecast is still well below the market's prevailing level.

London

## You can bet on the banks

They're proving a winner, writes Philip Coggan

"They have very good franchises in developing markets," he adds. "They will benefit from a stronger dollar and they are currently chronically under-owned by investment institutions."

HSBC is the largest UK stock, if one combines both classes of capital, but UK institutions have only a 40 per cent weighting in the shares.

Generally, however, bank shares may be due for a short-term setback after their strong recent run, according to Coleman. The same pattern occurred after the sharp spike upwards in bank stocks late in 1993 and at the end of 1995.

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## LUXEMBOURG (SIB RECOGNISED)

	Int. Net Gaining Price	Int. Net Price	Int. Net Lossing Price	Int. Net Price	Int. Net Gaining Price	Int. Net Price	Int. Net Lossing Price	Int. Net Price
ADM AMRO Fund (a)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
ADM Jones Mutual Fund (a)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Latin American Equity	99.37	99.35	99.39	99.35	99.37	99.35	99.39	99.35
North American Equity	99.21	99.20	99.22	99.20	99.21	99.20	99.22	99.20
Europe Equity	98.21	98.21	98.22	98.21	98.21	98.21	98.22	98.21
Japan Equity	143.75	143.19	144.15	143.19	143.75	143.19	144.15	143.19
US Bond	98.91	98.91	98.91	98.91	98.91	98.91	98.91	98.91
Global Bond	98.81	98.81	98.81	98.81	98.81	98.81	98.81	98.81
Corporate Bond	98.71	98.71	98.71	98.71	98.71	98.71	98.71	98.71
Short Bond	98.62	98.62	98.62	98.62	98.62	98.62	98.62	98.62
Corporate Bond Fund	98.52	98.52	98.52	98.52	98.52	98.52	98.52	98.52
Emerging Markets Fund	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (a)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (b)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (c)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (d)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (e)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (f)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (g)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (h)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (i)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (j)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (k)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (l)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (m)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (n)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (o)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (p)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (q)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (r)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (s)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (t)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (u)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (v)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (w)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (x)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (y)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (z)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (aa)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (bb)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (cc)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (dd)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ee)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ff)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (gg)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (hh)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ii)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (jj)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (kk)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ll)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (mm)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (nn)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (oo)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (pp)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (qq)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (rr)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ss)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (tt)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (uu)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (vv)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ww)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (xx)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (yy)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (zz)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (aa)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (bb)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (cc)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (dd)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ee)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ff)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (gg)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (hh)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ii)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (jj)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (kk)	98.45	98.45	98.45	98.45	98.45	98.45	98.45	98.45
Corporate Bond Fund (ll)	98.45	98.45	98.45					

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## WORLD STOCK MARKETS

## Dow eases as derivatives expire

## AMERICAS

Share price action varied on the US equity market yesterday morning, technology shares weakening while blue chip issues moved in a narrow range between positive and negative territory, writes *Lisa Bronstein* in New York.

Tech shares continued the slide begun on Thursday as the Nasdaq composite, weighted toward the sector, gave up 9.82 at 1,387.58, and the Pacific Stock Exchange technology index shed 1.1 per cent.

Unlike Thursday, however, losses among technology shares did not spill over into the broader market. Instead, both the Dow Jones Industrial Average and the

Standard & Poor's 500 were only modestly weaker. By 1pm the Dow was off 4.62 at 8,922.76 and the S & P 500 was 1.07 weaker at 801.73. NYSE volume came to 274m shares.

One factor behind the tech losses was yesterday's "double witching" expiration of share options and futures.

All four of the Nasdaq composite's largest components were weaker with Intel off \$1 at \$147. MicroSoft \$4 lower at \$34.5, Cisco Systems down \$2 at \$60 and Oracle falling \$1 at \$40.

Computer makers were also weak. IBM, which is a component of the Dow, shed \$1 at \$139. Compaq computer lost \$3 at \$79 and the

Gateway 2000 was \$1 lower at \$60.

Elsewhere, investors hammered Scholastic, the educational publishing company, after it said late on Thursday that it expected to report a third-quarter loss of 70 to 80 cents per share. By mid-day, shares in the company had fallen 25¢ or 41 per cent to \$26.

Several investment banks added to Thursday's losses. Morgan Stanley shed \$2 at \$67. Donaldson Lufkin & Jenrette was \$1 weaker at \$44, and Dean Witter Drexel fell \$1 to \$41.

TORONTO moved higher during a morning dominated by heavy trading in gold shares. The sector led the broad market up in heavy

two-way trading. At noon, the 300 composite index was up 4.42 at 6,209.49.

A rally for the bullion price was the main buy signal for gold and it sent the sector leaders sharply higher. Barrick Gold rose 35 cents to \$37.15 and Placer Dome improved to \$30.20, an increase of 45 cents. Bre-X Minerals, a strong market lately on its Indonesian links, stood out against the trend, sliding \$1.50 to \$30.20.

"All the action was in golds. There was profit-taking among industrials," said one broker. Air Canada ran into obvious selling following a heavier loss in the final quarter of 1996. The stock shed 10 cents to \$37.30. The stock shed 10 cents to \$37.30.

MEXICO CITY rallied modestly in the wake of Thursday's bout of profit-taking. "Wall Street is going nowhere this morning and the general lack of direction has washed over on to our market," said one broker. At mid-session, the IPC index was up 6.66 at 3,846.66.

SAO PAULO, down over the previous two sessions, continued to trade nervously after the central bank announced the closure of ten small financial institutions. At mid-session, the Bovespa index had eased to 66,960, a decline of 39.

CARACAS rallied modestly during a morning session of light trading. At mid-session, the IBBC index was up 27.08 at 6,680.15.

## Confidence ahead of Hong Kong transition

But there are some sceptics, says Louise Lucas

Hong Kong investors

last week flipped on

its head the market

adage to buy on the rumour,

sell on the news.

For more than five years, stock markets in both Hong Kong and China were in the grip of periodic speculation that Deng Xiaoping, China's paramount leader, was dead or dying. Typically, the spurs of rumours drove share prices lower; subsequent glimpses or assurances from offspring helped prices rebound.

But last week's pattern had a novel twist: share markets in Shanghai, Shenzhen and Hong Kong fell in the early part of last week as the rumours percolated down from Beijing, and promptly rallied, or at least steadied, on Thursday - after he died.

The seemingly perverse 2.3 per cent rise on Hong Kong's benchmark Hang Seng index was attributed to traders covering short positions, and the removal of what had been a big uncertainty over the market.

ATHENS forged ahead to another all-time high, helped by strong results from the National Bank of Greece which jumped Dr785 to Dr26,800. The general index, which stood at 100 at the time of last November's broking scandal, rose 26.37 to 1,332.93.

It was sufficient to prompt a self-congratulatory note around Exchange Square, the gleaming waterfront home to investment bankers and securities brokers, and across corporate Hong Kong.

Mr Victor Fung, chairman of the Hong Kong Trade Development Council and, separately, of Prudential Asia, sums up the mood: "It's a mark of the vote of confidence in the well-planned transition Deng put in place that all the major markets in the region are up; there's no true indicator of confidence than the market."

Meanwhile, Spain's stock market commission, CNMV, filed a suit against Asturiana de Zinc, saying it had evidence which suggested the company had concealed a speculative position in the zinc market as of 1992. Asturiana fell Pta80 to Pta1,800, after a low of Pta1,730.

LISBON found another speculative situation, the construction group, Soares

da Costa, climbing Esc143 or 9.2 per cent to Esc1,703 on a report, which Soares denied, that the company was about to be taken over.

However, the BVL 30 index shed 21.78 at 2,592.40 as a failed speculative situation, Lisnave, dropped another Esc55 to Esc401 and as Sonae, the big retailing and real estate combine, fell Esc220 to Esc5,540 with reports of one big seller in the market.

ATHENS forged ahead to another all-time high, helped by strong results from the National Bank of Greece which jumped Dr785 to Dr26,800. The general index, which stood at 100 at the time of last November's broking scandal, rose 26.37 to 1,332.93.

It was sufficient to prompt a self-congratulatory note around Exchange Square, the gleaming waterfront home to investment bankers and securities brokers, and across corporate Hong Kong.

Mr Nick Moakes, head of research at NatWest Securities Asia and a former diplomat, anticipates a display of unity in Beijing until the 15th Party Congress in the final quarter of the year, but says that personnel manoeuvrings could mean that the needs of Hong Kong - brought forward by a relative newcomer in the form of Mr Tung Chee-hwa, the territory's post-colonial leader - are pushed down the priority list.

As such, there could be a ripple effect on the Hong Kong stock market shortly after the territory reverts to Chinese sovereignty on July 1, depending how investors perceive relative instability and uncertainty.

Mr Marc Faber, who runs a fund management company in Hong Kong and has a gloomy 10,000 year-end target for the Hang Seng index, was quick to call Thursday's

rally a selling opportunity. "The Hong Kong market is faced with two problems this year: uncertainty in China and the US market, to which it is closely coupled, coming off. It's extremely naive to say there will be no change."

In China the more volatile and much smaller B share markets - theoretically reserved for foreigners, but in practice heavily bought by local Chinese - both emerged from Thursday relatively stable.

Already raked with their own problems, including the reliance on illicit domestic investors and strong competition in the form of China shares listed on the more foreign-friendly Hong Kong stock exchange, the B share markets are expected to remain rocky terrain.

In Hong Kong, the China enterprises, or H shares, and mainland-backed companies, dubbed redchips, both put in healthy performances on Thursday. But analysts warn that these now voguish counters could become vulnerable if personalities start shifting in China, shunting today's well-connected companies out into the cold.

This did not deter investors on Thursday, however, when leading redchips like China Resources notched up 4 per cent gains compared with a 0.26 per cent improvement in the Hang Seng index.

With the economy rebounding, property prices climbing and the outlook for earnings strong, many brokers have bullish forecasts for Hong Kong this year. But Deng's death introduces a new variable into the equation he devised.

As Mr Stephen Clark, managing director of Anglo-Chinese Corporate Finance, notes: "Of all the places in China, Hong Kong will be the most sensitive to disruption at the centre; we just are. We stood to benefit the most, and therefore now to lose the most."

## Strong run for financials rescues Paris

## EUROPE

Shares in PARIS eased for the fourth day running, but a strong run for financials left the CAC 40 well off its day's low at 2,562.84, down 12.40.

There was an upturn of takeover gossip around the Axa insurance group and selected banks were aggressively bought following Bancaire's early morning meeting with analysts.

Bancaire gained FF74.95 or 4.3 per cent to FF770.8 and BNP jumped 4.6 per cent to FF249.90, a rise of FF11.31. Speculation on a bid for AGF from Allianz, the German giant, sent the French insurer up by FF6.80 to FF74.06.

Among smaller financials, Worms leaped almost 9 per cent on renewed speculation about the disposal of its Athens insurance unit. The stock closed up FF40.50 at FF74.13.

Accor rose FF10 to FF785 after Morgan Stanley noted the initial coverage of the hotel's leader with a "strong buy" recommendation. Michelin dipped FF2.10 to FF343.50 on news of French job losses.

Oil stocks eased on weaker crude prices. Elf Aquitaine, which was widely expected to produce bumper interim results next Wednesday, shed FF9 to FF545.

FRANKFURT came back

from a low of 3,164.51 as the Dow and the dollar improved in the US mid-morning, to close with the Dax index 6.70 higher at an Ibdx-indicated 3,203.70. Turnover fell again, from DM11.3bn to DM10.5bn.

Broker recommendations carried some weight. In banks, Dresdner rose 9.6% to DM54.95 after Westdeutsche Landesbank, in Düsseldorf, raised its share price forecast to between DM60 and DM63 on a six month horizon.

Dresdner Kleinwort Benson, meanwhile, upgraded

THE WEEK'S CHANGES

% Change

Athens +7.7

Zurich +1.3

Amsterdam +1.2

Lisbon +0.1

Frankfurt -1.4

Madrid -2.1

Paris -2.5

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SHANGHAI and SHENZHEN speculated on the belief that the death of Deng Xiaoping had removed a negative factor from the stock markets, and the B share indices rose by 0.84% and 1.4 per cent to 65,569, and by 7.43 or 5.2 per cent to 150.96 respectively.

TOKYO ended with a slight decline in the Nikkei, as investors dumped

blue-chip exporters in favour of banks and real estate plays, writes Jonathan Arnells

The 225 average drifted 17.17 lower to 19,034.94 after moving between 18,965.16

and 19,173.49. Construction and property shares surged ahead, following the construction ministry's proposal on Thursday to relax restrictions on building-to-land ratios in urban areas.

Banks extended their rebound, triggered by a press report on Thursday that the government might use public money to buy collateralised land to alleviate their bad debt problems.

But the dollar's drop below

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## LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

Name	Price
Abell-Dowson	1955/7
Barber (P)	1955/7
Barber (W)	1955/7
Barber (W)	1955/7
Barber (W)	1955/7

## BANKS, RETAIL

Name	Price
ABM Group Pl	1955/7
ABP	1955/7

## BREWERIES, PUBS &amp; REST

Name	Price
ABC (P)	1955/7

## BUILDING &amp; CONSTRUCTION

Name	Price
ABC (P)	1955/7

## DIVERSIFIED INDUSTRIALS

Name	Price
ABC (P)	1955/7

## ELECTRICITY

Name	Price
ABC (P)	1955/7

## ELECTRONIC &amp; ELECTRICAL EQPT

Name	Price
ABC (P)	1955/7

## BUILDING MATS. &amp; MERCHANTS

Name	Price
ABC (P)	1955/7

## CHEMICALS

Name	Price
ABC (P)	1955/7

## CHEMICALS - Cont.

Name	Price
ABC (P)	1955/7

## DISTRIBUTORS

Name	Price
ABC (P)	1955/7

## EXTRACTIVE INDUSTRIES

Name	Price
ABC (P)	1955/7

## ENGINEERING

Name	Price
ABC (P)	1955/7

## FOOD PRODUCERS

Name	Price
ABC (P)	1955/7

## GAS DISTRIBUTION

Name	Price
ABC (P)	1955/7

## HEALTH CARE

Name	Price
ABC (P)	1955/7

## HOUSEHOLD GOODS

Name	Price
ABC (P)	1955/7

## INSURANCE

Name	Price
ABC (P)	1955/7

## EXTRACTIVE INDUSTRIES - Cont.

Name	Price
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## Japan cities to get US-style shopping in \$3bn venture

By Christopher Parkes  
in Los Angeles

Japanese shoppers are to be treated to their first taste of US-style leisure shopping through a \$3bn joint venture between two California property specialists and an alliance of Japanese banks, retailers and industrial groups.

Plans for four retail-cum-entertainment centres in the Tokyo and Osaka areas include Japanese and US stores with cinemas, restaurants offering international cuisine, fitness clubs, indoor "rock-climbing" and roller-skating rinks.

The first centres – one outside Tokyo and a complex near Osaka – could be open by late 1998, according to WPI Koll, the main US participant.

They would be followed by

themed malls – one close to Osaka's main access link to Kansai Airport and another on the city's waterfront.

The partners, aiming to build between 10 and 20 centres in Japan in the next decade, hope to develop the concept in other Asian markets. WPI Koll is a joint venture between the publicly-listed Koll Real Estate Group, which manages 185m sq ft of retail and commercial properties in the US and Asia, and World Premier Investments, a Santa Ana mall developer.

Japanese interests are co-ordinated by Mega-Mall Systems Japan, a new umbrella company in which WPI Koll has a minority stake. Partners and investors include retailers Seibu and Daiei, Fuji Bank and Nippon Steel.

Contracts for the four initial

sites have been signed, Mr Andrew Sun, WPI Koll chairman, said yesterday.

US participants include SportsClub of Los Angeles and Wolfgang Puck, the mass-market restaurant group.

Mr Michael Talla, SportsClub chairman, said the project had lowered the costs of entry into the Japanese market and made the logistics of his company's first international venture manageable.

WPI Koll officials said negotiations were continuing with clothing specialists, such as Gap and Eddie Bauer, and the AMC cinema chain. Efforts would be made to attract European participants. Japanese retailers and entertainment companies were expected to fill 50-60 per cent of the space in each centre.

Mr Sun said WPI Koll was

approached from Japan, where department store chains are under pressure to develop new retailing formulas.

Declining land prices and the increasing international tastes of Japanese consumers had encouraged the US partners to investigate further.

Japanese visitors, once renowned as the most avid shoppers for western luxury goods, are among the biggest spenders in so-called "value malls" in Hawaii and California's tourist destinations.

Although retailing centres were not new to Japan, the diversity to be found in US entertainment malls was largely unknown, Mr Sun added. One recent venture, the US-designed Canal City Hakata in Fukuoka, drew more than 4.5m customers in the two months after opening.

### THE LEX COLUMN

## Unhappy holidays

The writing has been on the wall for Club Med for some time now. Yesterday's announcement of a net FF745m loss following restructuring charges of FF820m was not expected, but can hardly count as a huge shock in a decade where the group has found it easier to lose money than make it. Tough market conditions have contributed to its difficulties, but the problems go much deeper. Originally associated with fit, young people revelling in the sun and sea, the concept has looked increasingly middle-aged in recent years.

The appointment of Mr Philippe Bourguignon is good news. Having presided over a successful turnaround at Euro Disney, he looks a better bet to rehabilitate Club Med than his predecessor, Mr Serge Triano. He starts with considerable strengths: a strong brand, well-trained staff, and many valuable locations. There is an underlying profit stream to be built upon, which will be helped by the recovery in the French economy. And the write-off aside, yesterday's results were disappointing rather than catastrophic.

But much remains to be done, even after yesterday's announcement that the group is to rationalise its portfolio. The biggest challenge is to relaunch the concept, casting off the air of stagnation. But Mr Bourguignon will also have to jettison the group's cost controls and cracking administrative systems. If he fails, he will be aware that predators may soon descend.

### HANSON

Hanson's tortuous demerger draws to a close on Monday. But it is hard to see any hidden value to be released from the final split into The Energy Group and Hanson's rump of building materials businesses.

• If investors are relying on traditional yardsticks to value The Energy Group, they must be pretty befuddled. Not only do the usual rules of thumb give hopelessly divergent results but there are no convincing comparators for such an unusual beast.

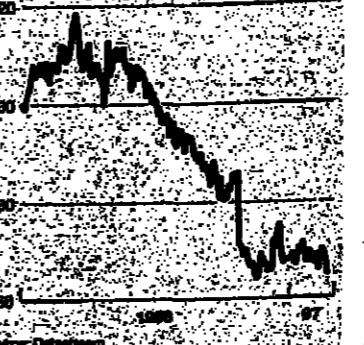
A better solution is to break the group down into its constituent parts. Discounted cash flow valuations of Peabody, the US coal business, suggest it is worth £1.4bn or so. Add £1.3bn for the Eastern Group regulated wires network and perhaps £1.1bn for its generation and supply businesses, then subtract £1.4bn in

### FTSE Eurotrack 200:

2183.0 (-4.2)

### Club Med (continued)

Share price relative to the S&P 100 index



and a £100m windfall tax. This suggests an underlying value of £2.3bn for the whole company. But these standalone figures probably do not attribute enough value to the benefits of the group's vertical integration in the UK, which broker SBC Warburg reckons could be worth £40m a year. Throw in and the group is worth perhaps £400 a share.

Yet that may not be quite the whole story. It is fair to put some faith in an energetic management team's capacity to add value by spotting future opportunities. And with luck, now the group is fast back-tracking on its wilder rhetoric, there is less risk that large sums will be blown in pursuit of a growth rating. In addition, investors have to weigh the possibility that the group might itself be subject to a takeover; it could look a distinctly tasty morsel to a big US utility. In short, last night's grey market price of 52p is optimistic – but not, by any means, insane.

• New Hanson is retaining more than just its parent's name. This collection of leftovers is still a conglomerate, and it carries a lot of old-style Hanson baggage. The individual businesses are actually quite good. ARC aggregates and Hanson Brick in the UK, as well as Grove cranes, have strong market positions and high margins. Grove and the smaller electricals business produce returns on capital of around 30 per cent. And there is scope for recovery at Cornerstone, the US aggregates company, and in UK bricks.

But new Hanson is also inheriting £1.6bn of balance sheet provisions, largely against US environmental hazards, which will cost £45m a year when it reports on corporate governance later this year.

off cashflow. A further legacy is the low 16 per cent tax charge, which will start to rise after 2000, reducing earnings growth. There are question-marks over management too. The board contains three Hanson family members but not a single operational manager.

Assuming pre-tax profits of £227m for 1997, yesterday's grey market price of 52p gives a lowish price/earnings ratio of 10 times. But this rises to 12 times on a fully-taxed basis – roughly a 10 per cent discount to BHP Circle, CRH and Walsley, all with better records. On that basis, the current share price looks about right – which means that with a market value of less than £1.5bn, Hanson could soon drop out of the FTSE 100.

### Non-executives

Britain's non-executive directors are in danger of becoming little more than box-tickers. Following Cadbury and Greenbank, their main role has been to ensure compliance with various principles of corporate governance – such as the form of executive remuneration and the proper constitution of committees. These matters should be important, but not to the exclusion of helping companies create value.

How can non-executives be encouraged to be more active? By paying them mainly in shares. If non-executives were substantial shareholders, which is rarely the case, their interests and those of other investors would be aligned. After a few years on the board, they might own say £50,000 of stock – a significant sum even for rich individuals. That would give them an incentive to be more involved in strategy, check foolish acquisitions and kick out underperforming executives.

Non-executives should not be able to sell their shares in the short term – since that would weaken their connection with other investors. And some individuals, especially those who are not personally wealthy, might be deterred from joining a board if they were paid only in restricted shares. So it would make sense to insist on only part of their remuneration being in stock. But it would be good to encourage non-executives to take the remainder in stock too. Such a system is increasingly common in the US. Britain's Hampel committee should back a similar approach when it reports on corporate governance later this year.

## Number of US investors has doubled in seven years

By Tracy Corrigan  
in New York

The proportion of US citizens who invest in stocks and equity mutual funds has doubled in seven years to 43 per cent, according to the first comprehensive survey of retail investors since 1990.

The survey, conducted last month by Peter Hart Research Associates for the Nasdaq stock market, says US retail investors look more like a cross-section of American society than ever before. It shows a big shift in the demographics of share ownership away from elderly white males. Only 44 per cent of investors are white men, while 47 per cent are women. In a similar, but not directly comparable survey by the New York Stock Exchange in 1990, 37 per cent of investors were female.

The latest survey also shows that half are not college graduates and 55 per cent are under 50. Among working age investors, only 29 per cent were managers or professionals, while 35 per cent were white

### Survey reveals shift in pattern of share ownership

badly hurt by any downturn in the market. Although only 8 per cent of investors said they would sell stocks if the market fell sharply to avoid further losses, Mr Peter Hart cautioned that investors' predictions of what they would buy and sell were as unreliable as voters' predictions of how they would vote.

The level of individual share ownership remains much higher in the US than in other industrialised countries. In most European countries, less than a quarter of the adult population invests in shares.

The survey should help allay fears that the public has become overconfident about the stock market's performance after the strong bull run of the last few years.

Only 5 per cent expect a strong increase in stock prices in the next 12 months, and while 58 per cent expect a moderate rise, another 13 per cent are prepared for a moderate decline. Nearly three-quarters described themselves as conservative or moderate in their approach to investment.

The encouraging news in this survey is the degree to which Americans are realising that they hold the key, and bear the responsibility, for their own financial futures," said Mr Berkley.

However, the flipside is that individual investors could be

### Italy's tax approved

Continued from Page 1

of statistical rules. "I know some governments are accusing others of cheating, but it does not concern us if there are political considerations," he said.

This judgment rested with EU leaders who, on the basis of recommendations from the Commission and the European Monetary Institute, would decide whether a country had shown a "high degree of sustainable convergence" with the Maastricht criteria.

Separately, Eurostat ruled in favour of British, Danish, German and Swedish accounting treatment of private sector financing of public infrastructure.

UBS finds heirs to some accounts

Continued from Page 1

yesterday its foreign operating profits had increased 128 per cent to SF1.1bn (£674m) in 1996; domestic operating profits grew only 3.9 per cent to SF1.5bn.

The difference, which would have been even more marked had loan loss provisions been included, underlines UBS's increasing dependence on international operations. UBS's 1996 domestic operating profit was virtually the same as in 1994, while foreign operating profit has risen more than fivefold.

The strength of the overseas business has helped cushion the group from the effects of the SF1.6bn special provision for future credit risks announced in November, when it forecast a SF1.5bn loss in 1996. Yesterday, it reported a SF1.3bn net loss but said it would hold its dividend.

## Nato may expand before Russian charter

Continued from Page 1

formal and legally binding Nato pledge not to deploy nuclear weapons on the territory of its new member states.

Mr Primakov, a Soviet era spy-master, described Mrs Albright – whose family fled Czechoslovakia when the communists seized power – as "an iron lady but a constructive lady".

But he remained doubtful about assurances that a reduction in Nato forces in Europe

meant the alliance no longer posed a military threat to Russia. Mrs Albright had "very beautifully and so colourfully" described the arms reductions but that "even so it would be best if those forces do not move in our direction".

Mr Albright yesterday also met Mr Boris Yeltsin, the ailing Russian president, and said he was "very much in charge, very engaged". Western reporters present at the beginning of the meeting said Mr Yeltsin appeared pale and

waxen and seemed to be wearing make-up.

Matthew Kaminski in Kiev adds: Mr Volodymyr Horbunin, chairman of Ukraine's national security council, said Ukraine wanted a "legally binding, not only a politically symbolic" deal with Nato which provided informal security assurances. He said agreement on a "special charter" with Ukraine would not depend on the successful conclusion of Nato's talks with Russia.

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